

Attachment 1

Wilshire Consulting

***Executive Summary of Performance
Prepared for***

California Public Employees' Retirement System

California Affiliate

- ***Judges II***
- ***Long-Term Care***
- ***Volunteer Firefighters***

California Legislators' Fund

California Employer's Retiree Benefit Trust

California Supplemental Income Plans

Third Quarter 2010



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Capital Market Overview

The third quarter of 2010 found global stock markets rebounding strongly from their losses in the previous quarter, despite signs that the US economy's fragile recovery from the recession that ended in June 2009 was running out of momentum. U.S. real GDP growth slowed to an annual rate of 1.7% in the second quarter versus the 5.0% and 3.7% annual rates calculated for fourth quarter 2009 and first quarter 2010, respectively. Non-farm payrolls shed an estimated 218,000 jobs over the quarter, raising the official national unemployment rate to 9.6% from last quarter's 9.5%; year-to-date, however, the economy has added an estimated 613,000 jobs (source: Bureau of Labor Statistics). Housing prices—a bellwether statistic for general economic health, representing a sector particularly hard-hit during the recent downturn—have risen since January 2010, as measured by the Standard & Poor's Case-Schiller 10- and 20-City Home Price Indexes; however, the July 2010 trailing 12-month growth rates for the 10- and 20-City indexes of 4.0% and 3.1%, respectively, were 1.0% and 1.1% down from the previous month. Energy commodities experienced a mixed quarter, with crude oil rising 5.7% to \$79.97 per barrel, offsetting the -16.1% plunge in natural gas (September 30 price: \$3.87 per million BTU); strong reserves in oil and gas were counterbalanced by soft consumer demand (except in emerging market industries). Consumer inflation remained muted over the third quarter, with the U.S. Consumer Price Index (all urban consumers) rising only 0.22%. Faced with an economic recovery running out of steam, the Federal Reserve kept their target federal funds rate at the 0.0-0.25% range established in December 2008. The Fed is expected to resume its purchases of U.S. Treasury paper to inject money into the financial markets and prop up the sagging U.S. economy. As Treasury yields fall, investors historically rotate into assets with higher return potential; this helped fuel the broad market rally in 2009 and seems to have repeated itself in the third quarter. Global stock markets also rose over the quarter, shrugging off the ongoing sovereign debt crisis in several European countries and imminent adoption of economic austerity measures. Global bond markets experienced fair gains in the third quarter despite continued low sovereign yields in major markets; long-term paper and global credits found favor as investors sought yield wherever they could find it.

U.S. Equity Market

The U.S. stock market rebounded strongly in the third quarter from the sharp losses experienced in the second quarter. The Wilshire 5000 Total Market Index surged 11.50% in Q3, bringing its year-to-date performance into positive territory at 5.00%. Individual investors stayed on the sidelines during Q3, and the markets moved on notably low volume. The market began the quarter with a strong 6.97% rise in July, then sold off some gains in August, falling 4.65%; September saw a major rally, with the market rising 9.31%. The twelve-month return for the Wilshire 5000 stands at 11.08%. Small capitalization stocks experienced the strongest gains during the third quarter. The Wilshire U.S. Small Cap Index narrowly outpaced the Wilshire U.S. Large Cap Index, with returns of 11.98% and 11.48%, respectively. Micro-cap stocks were underperformers for the quarter, with a relatively modest 7.19% return for the Wilshire U.S. Micro Cap Index. However, year-to-date smaller-company stocks, including micro-cap issues, continue to outperform larger-company equity. Among large-cap stocks, growth style was favored over value style for the quarter, as the Wilshire U.S. Large Growth Index outdistanced the Wilshire Large Value with 12.92% and 10.13% returns, respectively. This pattern was repeated in the small-cap segment

of the market, with the Wilshire Small Growth at 13.25% outperforming the Wilshire Small Value at 10.68%. Wilshire 5000 sector performance (GICS classification) was uniformly positive for the quarter, and Telecomm Services and Materials stocks performed best with returns of 20.60% and 18.84%, respectively. The Health Care and Financial sectors lagged behind with relatively modest returns of 8.78% and 5.05%, respectively. U.S. real estate securities, as measured by the Wilshire U.S. RESI Index, returned a strong 13.24% for the third quarter.

Fixed Income Market

Investor cash has continued to flow into fixed income funds, and there have been record levels of new debt issuance; however, actual returns from bonds lagged behind the surge in stocks in the third quarter. The Barclays U.S. Aggregate returned 2.48% for the quarter. Net inflows into bonds combined with continued low interest rates and the widely-anticipated, upcoming influx of Fed cash into the Treasury markets to nudge Treasury yields lower over the quarter. The yield on two-year Treasury paper dropped 18 basis points to 0.42%, while the thirty-year Treasury yield fell 22 b.p. to 3.73%. Near-zero yields on short-term bonds sent investors looking for yield in longer-term paper; the Barclays U.S. 1-3 Year Treasury index's 0.64% was handily outdistanced by the Barclays U.S. Long Treasury's 5.21% return. The same pursuit of higher-yielding fixed income drove investors to credits, driving yield spreads on investable corporate paper lower (change in OAS for Barclays Credit, -0.19%) and pushing the return on the Barclays U.S. Credit index to 4.65%, besting both Government (Barclays U.S. Government, 2.52%) and Mortgage-Backed securities (Barclays MBS, 0.63%). Yields on below-investment-grade paper were driven even lower than investment-grade bonds (change in OAS for Barclays U.S. High Yield, 0.79%), and this sector was the best-performing broad segment of the U.S. bond market (Barclays U.S. High Yield, 6.71%).

Non-U.S. Markets

After the pessimism and sharp losses of the second quarter, global stock markets bounced back with solid gains in the third quarter; the U.S. dollar's weakness against world currencies improved those gains for U.S.-based investors (MSCI EAFE, net dividends, 7.10% local currency, 16.48% US dollar terms). Concerns over the level of debt in European countries were put aside as investors focused on stronger balance sheet fundamentals and found compelling stories in markets such as Denmark and Sweden (MSCI Europe net, 9.07% local, 19.35% USD). The Pacific region underperformed Europe (MSCI Pacific net, 3.65% local, 11.49% USD), with Japan's stock markets actually moving slightly lower in local currency terms on worries that the yen's remarkable strength would reduce exports. Additionally, Japanese authorities moved into the currency markets to curb the yen's rise; Japanese stocks slid on the negative impact of a weaker yen on asset values for foreign-based investors (MSCI Japan net, 0.09% local, 5.83% USD). Emerging stock markets were very strong performers in the third quarter as the MSCI Emerging Markets Index rallied 12.75% and 18.03% in local currency and USD terms, respectively. Global developed market bonds performed in U.S. dollar-hedged terms in line with the U.S. market, given low global interest rates (Barclays Global Aggregate ex-U.S., 2.03% USD-hedged). The weak U.S. dollar increased these returns on a dollar-converted basis (Barclays Global Aggregate ex-US, 10.85% USD). Emerging market debt actually underperformed developed-market issues both on a dollar-hedged and unhedged basis (Barclays Emerging Markets Local Currency Government Universal, 1.64% USD-hedged, 7.75% USD; JP Morgan Emerging Market Bonds Plus, 8.89% USD).

Summary of Index Returns

For Periods Ended September 30, 2010

	Quarter	One Year	Three Years	Five Years	Ten Years
Domestic Equity					
Standard & Poor's 500	11.30%	10.15%	-7.17%	0.64%	-0.44%
Wilshire 5000	11.50	11.08	-6.46	1.11	0.29
Wilshire 4500	12.62	16.66	-3.46	3.03	2.46
Wilshire Large Cap	11.48	10.63	-6.86	0.93	-0.34
Wilshire Small Cap	11.98	15.63	-2.38	3.46	5.41
Wilshire Micro Cap	7.19	5.46	-6.70	-1.28	6.25
Domestic Equity					
Wilshire Large Value	10.13%	10.34%	-9.50%	-0.26%	2.50%
Wilshire Large Growth	12.92	10.88	-4.30	1.95	-3.13
Wilshire Mid Value	11.86	17.79	-3.03	2.03	6.72
Wilshire Mid Growth	14.39	16.52	-1.73	4.86	2.30
Wilshire Small Value	10.68	14.48	-2.41	2.87	8.66
Wilshire Small Growth	13.25	16.73	-2.31	4.02	1.87
International Equity					
MSCI All World ex U.S. (USD)	16.58%	7.56%	-7.41%	4.25%	4.32%
MSCI All World ex U.S. (local currency)	8.56	5.81	-8.03	1.63	-.-
MSCI EAFE	16.48	3.27	-9.51	1.97	2.56
MSCI Europe	19.35	2.63	-10.37	2.34	3.01
MSCI Pacific	11.49	4.85	-7.60	1.20	1.56
MSCI EMF Index	18.03	20.21	-1.48	12.74	13.44
Domestic Fixed Income					
Barclays Aggregate Bond	2.48%	8.16%	7.42%	6.20%	6.41%
Barclays Credit	4.65	11.67	8.30	6.48	7.10
Barclays Mortgage	0.63	5.70	7.51	6.41	6.26
Barclays Treasury	2.73	7.33	7.43	6.19	6.22
Citigroup High Yield Cash Pay	6.41	17.18	8.05	7.85	8.01
Barclays US TIPS	2.48	8.89	6.91	5.49	7.49
91-Day Treasury Bill	0.04	0.12	1.13	2.60	2.55
International Fixed Income					
Citigroup Non-U.S. Gov. Bond	10.45%	4.47%	8.44%	7.33%	8.00%
Citigroup World Gov. Bond	8.18	4.99	8.15	7.05	7.65
Citigroup Hedged Non-U.S. Gov.	1.88	4.76	5.65	4.76	5.23
Currency*					
Euro vs. \$	11.45%	-6.60%	-1.35%	2.52%	4.46%
Yen vs. \$	5.93	7.18	11.25	6.29	2.61
Pound vs. \$	5.33	-1.47	-8.21	-2.29	0.64
Real Estate					
Wilshire REIT Index	13.35%	30.12%	-6.94%	1.39%	10.14%
Wilshire RESI	13.24	30.02	-7.13	1.32	9.97
NCREIF Property Index	3.86	5.83	-4.62	3.67	7.25

Summary Review of Plans Periods Ended 9/30/10

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
TOTAL FUND for PERF	\$214.6 bil	7.9%	10.4%	-4.8%	2.5%	3.4%
<i>Total Fund Policy Index ¹</i>		7.3%	11.1%	-0.2%	5.1%	4.4%
<i>Actuarial Rate</i>		1.9%	7.8%	7.8%	7.8%	7.9%
<i>TUCS Public Fund Median</i>		8.7%	10.2%	-1.4%	3.9%	4.2%
<i>Wilshire Large Fund Universe Median</i>		8.7%	10.6%	-1.9%	3.9%	4.2%
Affiliate Fund						
Judges II	\$447.0 mil	10.4%	11.2%	-1.4%	3.9%	3.7%
<i>Weighted Policy Benchmark</i>		10.5%	10.6%	-1.3%	3.9%	3.6%
Long-Term Care ("LTC")	\$2,879.9 mil	9.3%	11.5%	0.3%	4.6%	3.8%
<i>Weighted Policy Benchmark</i>		9.4%	10.9%	0.3%	4.5%	3.7%
CERBT Fund	\$1,467.5 mil	11.5%	10.3%	-2.7%	-.-%	-.-%
<i>Weighted Policy Benchmark</i>		11.8%	10.1%	-3.2%	-.-%	-.-%
<i>TUCS Public Fund Median</i>		8.7%	10.2%	-1.4%	3.9%	4.2%
Legislators' Fund						
LRS	\$120.0 mil	7.4%	11.7%	2.8%	5.2%	4.9%
<i>Weighted Policy Benchmark</i>		7.4%	10.8%	2.6%	5.0%	5.1%
<i>TUCS Public Fund Median</i>		8.7%	10.2%	-1.4%	3.9%	4.2%

¹ The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocation.



Total Fund Review PERF Periods Ended 9/30/2010

	Market Value	Five-Year Ratios							
		Qtr	1 Year	3 Year	5 Year	10 Year	VaR ¹²	Sharpe ¹³	Info ¹⁴
TOTAL FUND	\$214.6 bil	7.9%	10.4%	-4.8%	2.5%	3.4%	\$24.9 bil	0.0	-0.8
Total Fund Policy Index ²		7.3%	11.1%	-0.2%	5.1%	4.4%		0.2	0.0
Actuarial Rate		1.9%	7.8%	7.8%	7.8%	7.9%			
TUCS Public Fund Median		8.7%	10.2%	-1.4%	3.9%	4.2%			
Wilshire Large Fund Universe Median ³		8.7%	10.6%	-1.9%	3.9%	4.2%			
TOTAL GLOBAL EQUITY EX-AIM & EX CURRENCY OVERLAY⁴	110.7	13.9%	9.9%	-6.6%	2.2%	1.7%	\$19.4 bil	0.0	-0.4
Equity Policy Index ⁵		14.0%	9.3%	-6.0%	2.7%	1.8%		0.0	0.0
TUCS Equity Median ⁶		11.2%	11.9%	-5.2%	1.9%	2.7%			
TOTAL FIXED INCOME⁷	48.3	5.0%	15.5%	9.9%	8.0%	8.3%	\$2.9 bil	0.8	0.2
Fixed Income Policy Index ⁸		4.6%	11.2%	9.3%	7.2%	7.7%		0.7	0.0
TUCS Fixed Income Median		3.0%	9.7%	7.6%	6.6%	6.8%			
TOTAL REAL ESTATE⁹	15.3	-1.0%	-10.8%	-26.9%	-10.7%	1.8%	\$2.3 bil	-0.7	-1.0
Real Estate Policy Benchmark		5.3%	2.3%	-2.4%	5.3%	7.9%		0.3	0.0
TUCS Real Estate Median		5.2%	5.8%	-10.1%	0.0%	6.1%			
TOTAL AIM PROGRAM	29.9	1.2%	23.3%	-0.9%	9.3%	4.6%	\$9.3 bil	0.6	-0.1
AIM Policy Index ¹⁰		-10.6%	19.1%	6.6%	11.0%	3.3%		0.8	0.0
Lagged PERS2500 + 3%		-10.6%	19.1%	-6.6%	2.6%	1.9%			
TOTAL INFLATION LINKED PROGRAM	6.5	3.8%	6.2%	0.3%	-.%	-.%	\$0.9 bil		
Policy Index		1.1%	5.2%	5.7%	-.%	-.%			
Currency + Asset Allocation Transition	0.8								
CASH EQUIVALENTS PROGRAM	3.2	0.1%	0.3%	1.6%	3.0%	2.9%			
Custom STIF ¹¹		0.1%	0.2%	1.5%	2.9%	2.7%			

² The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocations.

³ These returns represent preliminary numbers.

⁴ Includes domestic equity, international equity, corporate governance, and MDP ventures. It does not include developed small cap, mid cap, and emerging transitions accounts; those accounts are reflected in total fund but are not included in any composite.

⁵ The Equity Policy Index is the composite of six benchmarks (Custom FTSE 3000 Index, Custom FTSE Microcap Index, FTSE Developed Large, FTSE Developed Small, FTSE Emerging Large, FTSE Emerging Small) and is calculated daily. Starting 2/01/2010, the Equity Policy Index also incorporates RM ARS benchmark, which is 1-Year Treasury Note + 5%.

⁶ Includes domestic and international equity.

⁷ The Total Fixed Income Composite does not include the fixed income plan level transition account as well as LM Capital. LM Capital has been mapped to the domestic equity composite, effective 1Q2005, per CalPERS' direction.

⁸ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

⁹ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

¹⁰ The AIM Policy Index is the Wilshire 2500 + 3% lagged one quarter and linked previously to the custom young fund.

¹¹ The Custom STIF Policy Index is a custom index maintained by SSgA.

¹² VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

¹³ The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the total risk taken. The 5-year period was selected to provide sufficient data points for a meaningful calculation, but is still short enough to reflect the changes to the investment programs over the last few years.

¹⁴ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the total risk taken. The 5-year period was selected to provide sufficient data points for a meaningful calculation, but is still short enough to reflect the changes to the investment programs over the last few years.



Total Fund Review for PERF (continued)

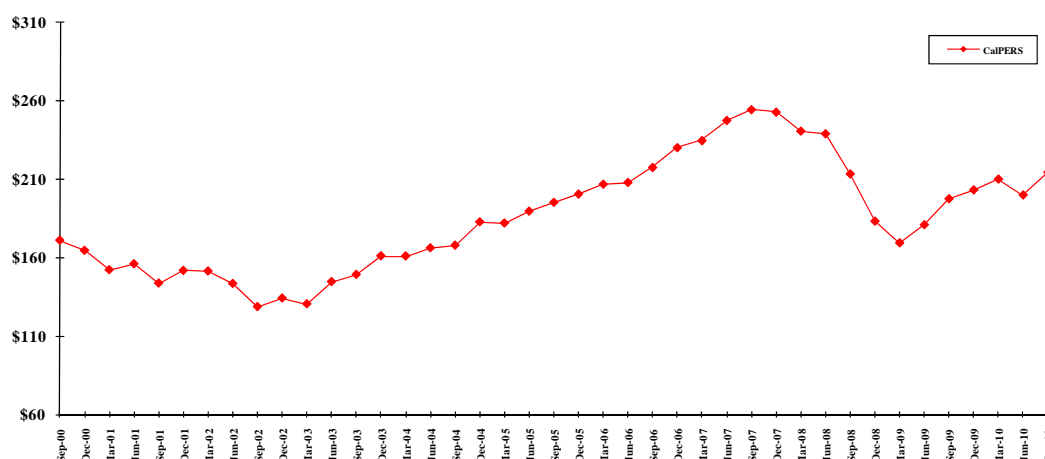
Periods Ended 9/30/10

Total Fund Flow

(\$Millions)	Beg. Mkt Value	Net Cash Flow	Invest. Mgmt Fees	Invest. Gain/Loss	End. Mkt Value	Total Return
3Q10	199,966	(1,168)	(211)	16,037	214,624	7.9%

Total Fund Flow

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1Q10	2Q10	3Q10
Market Value (\$bil)	164.6	151.7	134.1	161.0	182.8	200.6	230.3	253.0	183.3	203.3	210.2	200.0	214.6



Asset Allocation

Asset Allocation: Actual versus Target Weights*

Asset Class	Actual Asset Allocation Quarter Ending	Target Asset Allocation	Difference Ending
Equities	51.4%	49.0%	2.4%
Fixed Income	23.1%	21.0%	2.1%
Real Estate	7.1%	10.0%	-2.9%
ILAC	3.0%	4.0%	-1.0%
AIM	13.9%	14.0%	-0.1%
Cash Equivalents	1.5%	2.0%	-0.5%

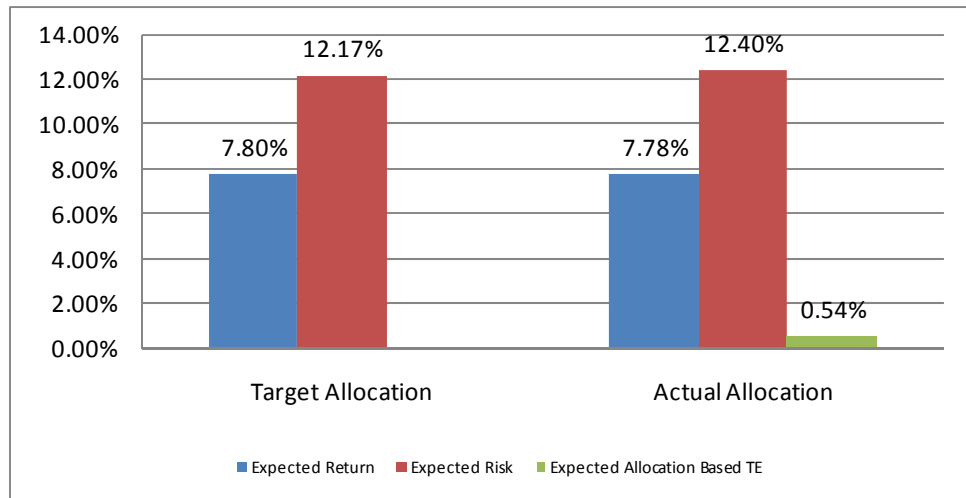
CalPERS Historical Asset Allocation

	2001	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1Q10	2Q10	3Q10
% Equity	70	64	63	57	63	63	62	63	56	40	54	54	50	51
% AIM	-	-	-	5	5	5	5	6	8	13	12	13	14	14
% Fixed Income	24	29	27	28	24	24	25	23	27	24	24	23	24	23
% ILAC	-	-	-	-	-	-	-	-	1	2	2	2	2	3
% Real Estate	5	6	9	9	7	6	5	8	8	12	7	7	8	7
% Cash	1	1	1	1	1	1	3	1	1	8	1	1	2	2

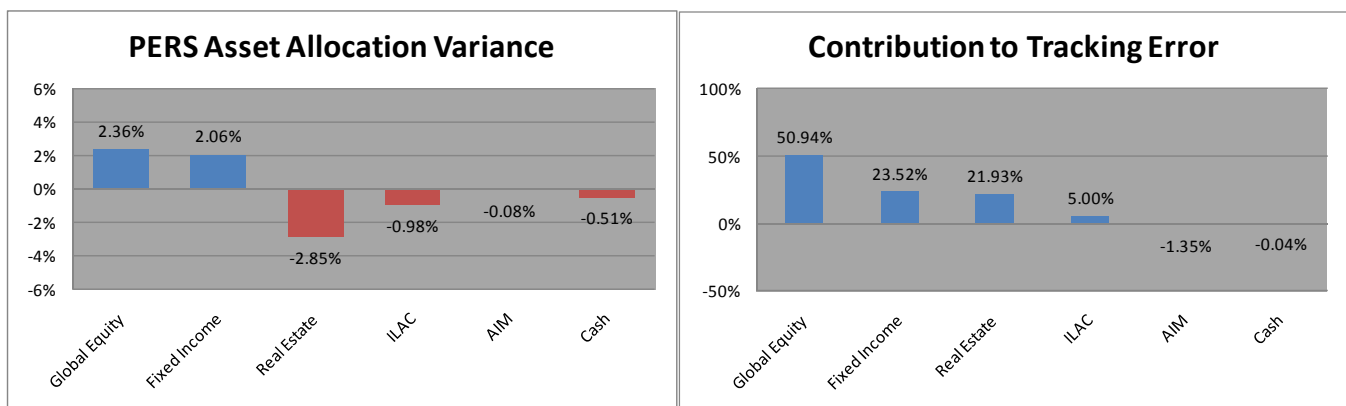
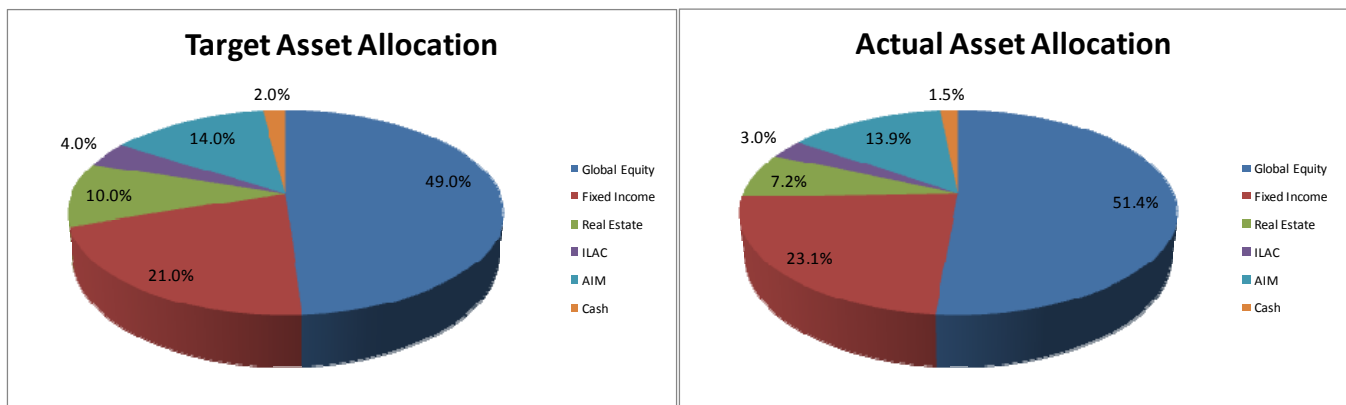
* Asset allocation targets are in the process of shifting to the new targets adopted by the Investment Committee as of January 2008. Transitions accounts are included with their respective asset classes. The target allocation is as of 10/01/2010.

Total Fund Review for PERF (continued) Periods Ended 9/30/10

Expected Return/Risk and Tracking Error based on Wilshire's Asset Class Assumptions



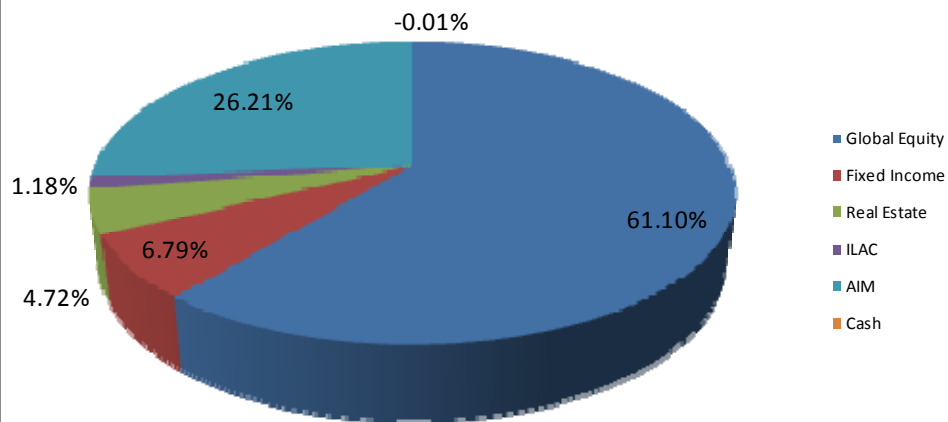
Total Fund Asset Allocation



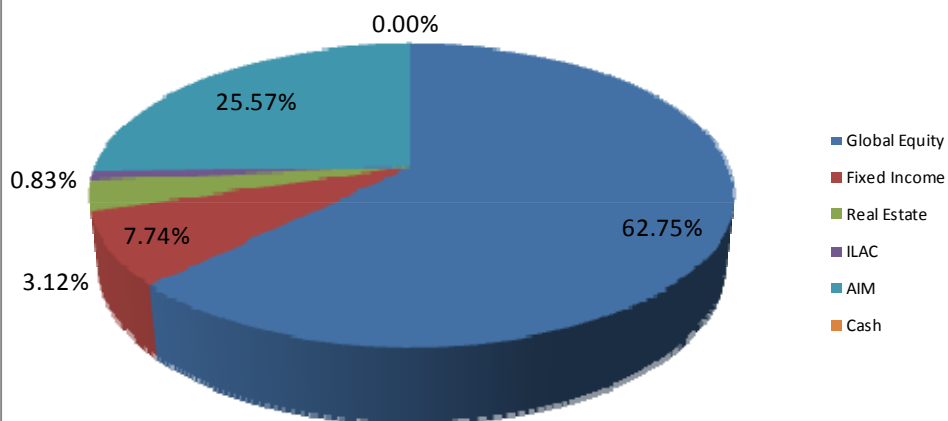
Total Fund Review for PERF (continued) Periods Ended 9/30/10

Contribution to Total Risk based on Wilshire's Asset Class Assumptions

Contribution to Total Risk - Target Allocation



Contribution to Total Risk - Actual Allocation



California Public Employees' Retirement System

Total Fund Attribution

Total Composite

Quarter Ended 9/30/10

Composite	Allocation			Returns			Total Fund Return Contribution				
	Policy (%)	Actual (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Strategic Policy (%)	Actual Allocation (%)	Active Management (%)	Activity / Timing (%)	Weighted Return (%)
Total Equity ex-AIM	49.00	49.58	0.58	14.02	13.89	-0.13	6.87	0.04	-0.06	0.04	6.89
Total Fixed Income	22.00	24.50	2.50	4.61	4.99	0.38	1.01	-0.07	0.09	0.18	1.22
ILAC	3.50	2.44	-1.06	1.05	3.83	2.78	0.04	0.07	0.07	-0.08	0.09
Real Estate	10.00	7.45	-2.55	5.25	-0.99	-6.24	0.53	0.05	-0.46	-0.19	-0.07
AIM Program	13.50	14.42	0.92	-10.56	1.15	11.71	-1.43	-0.16	1.69	0.07	0.17
Cash	2.00	1.61	-0.39	0.08	0.09	0.01	0.00	0.03	0.00	-0.03	0.00
Total Fund	100.00	100.00	0.05	7.27	7.89	0.62	7.27	-0.05	1.32	-0.65	7.89

The Total Fund Attribution displays the return contribution of each asset class to the total fund using the allocation to each program at the beginning of the quarter and this quarter's returns to determine if tactical allocation and active management within asset classes helped or hurt performance.



Total Fund Review for PERF (continued) Periods Ended 9/30/10

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of 7.89%, for the quarter ended September 30, 2010. CalPERS' return can be attributed as follows:

7.27%	Strategic Policy Allocation
-0.05%	Actual/Tactical Asset Allocation
1.32%	Activity/Timing
<u>-0.65%</u>	Active Management
7.89%	Total Return

- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
 - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
 - Activity: The Activity contribution column is the difference between the "buy and hold" portfolio and the weighted return and would be caused by timing and size of cash flows (transfers, deposits, and withdrawals).
 - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
 - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management).
 - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ CalPERS' Total Fund outperformed its strategic policy benchmark during the third quarter. Relative outperformance by the AIM program, ILAC and fixed income was the primary contributor this quarter, as these asset classes beat their respective policy indices by notable margin of 1171 bps, 278 bps and 38 bps. On the other hand, the System's asset allocation effect was slightly negative, given that it had a larger-than-policy exposure to AIM and fixed income, two of the lowest returning major asset classes in absolute terms during 3Q.
- ◆ The Total Fund composite also beat its actuarial rate (1.9%) for the quarter as well as the one-year period, but continued to lag over longer-term periods.



Total Fund Review for PERF (continued) Periods Ended 9/30/10

Helped or Matched Performance:

- ◆ **U.S. Equity Exposure:** The System's U.S. equity asset class returned 11.3% and outperformed the total fund policy return of 7.3%, as equity markets rallied in September, after macroeconomic data suggested the slowing global growth is unlikely to develop into a double-dip recession.
- ◆ **International Equity Exposure:** The System's international equity program returned 17.3% and outperformed the total fund policy index return as well as its own custom policy index for the quarter.
- ◆ **Corporate Governance:** The overall corporate governance program generated a 10.0% return and outperformed the total fund policy index in 3Q. The program also beat its own custom policy benchmark.
- ◆ **International Fixed Income:** The international bond segment returned to the positive territory during the third quarter, returning 11.0% and performed better than the total fund policy index.

Impeded Performance:

- ◆ **U.S. Bond Exposure:** CalPERS' U.S. fixed income composite trailed the total fund policy index (4.6% vs. 7.3%), as the prospect of continued low interest rates over the near horizon in the U.S. pushed investor capital away from U.S. bonds.
- ◆ **Real Estate:** The System's real estate segment underperformed the total fund policy as write-down continued in the commercial real estate investments.
- ◆ **AIM Program:** The alternative investment program generated a return of 1.2% for the quarter, beating its own policy benchmark return of -10.6%, but trailed the total fund policy.
- ◆ **Total Inflation Linked Program:** The total inflation linked program's 3Q return of 3.8% beat its policy index by a good margin, but it too lagged relative to the total fund policy.



Total Equity Review for PERF Periods Ended 9/30/10

Equity Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Global Equity	51.4%	49.0%	2.4%

Equity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ²⁰	5-year Sharpe Ratio ²¹	5-year Info Ratio ²²
TOTAL GLOBAL EQUITY EX-AIM & EX CURRENCY OVERLAY¹⁵	110.7	13.9%	9.9%	-6.6%	2.2%	1.7%	\$19.4 bil	0.0	-0.4
Equity Policy Index ¹⁶		14.0%	9.3%	-6.0%	2.7%	1.8%		0.0	0.0
Value Added		-0.1%	0.6%	-0.6%	-0.5%	-0.1%			
US Equity Composite	41.7	11.3%	11.3%	-6.6%	1.0%	0.2%		-0.1	-0.1
PERS Custom Index		11.4%	11.0%	-6.5%	1.1%	0.0%		-0.1	0.0
Value Added		-0.1%	0.3%	-0.1%	-0.1%	0.2%			
Total Intl Equity ex-AIM & ex-Currency overlay	56.8	17.3%	9.6%	-6.5%	4.9%	4.7%		0.1	0.7
PERS Custom Index ¹⁷		16.7%	6.8%	-7.3%	4.3%	4.3%		0.1	0.0
Value Added		0.6%	2.8%	0.8%	0.6%	0.4%			
Global Equity Equitization	2.3	14.2%	7.0%	-.-%	-.%	-.%			
PERS Custom Index		14.0%	9.3%	-.%	-.%	-.%			
Value Added		0.2%	-2.3%	-.%	-.%	-.%			
RM ARS Program	5.4	2.6%	6.3%	-1.0%	3.7%	-.%		0.2	-0.7
Policy Index ¹⁸		1.5%	5.9%	7.7%	8.6%	-.%		6.4	0.0
Value Added		1.1%	0.4%	-8.7%	-4.9%	-.%			
Corporate Governance	4.5	10.0%	7.7%	-8.8%	-0.6%	6.6%		-0.2	-0.1
Policy Index ¹⁹		9.6%	5.9%	-8.9%	0.0%	1.4%		-0.2	0.0
Value Added		0.4%	1.8%	0.1%	-0.6%	5.2%			

¹⁵ Includes domestic equity, international equity, corporate governance, global equity equitization, and RM ARS program. The developed small cap, large and mid cap, and emerging transitions accounts are not included in global equity. In addition, there may be rounding differences.

¹⁶ The Equity Policy Index is the composite of six benchmarks (Custom FTSE 3000 Index, Custom FTSE Microcap Index, FTSE Developed Large, FTSE Developed Small, FTSE Emerging Large, FTSE Emerging Small) and is calculated daily. Starting 2/01/2010, the Equity Policy Index also incorporates RM ARS benchmark, which is 1-Year Treasury Note + 5%.

¹⁷ The PERS Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

¹⁸ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

¹⁹ The Corporate Governance Index return equals the return for each manager's benchmark weighted at the current target asset allocation.

²⁰ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

²¹ The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

²² The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.



Total Equity Review for PERF (continued)

Comments Regarding Recent Equity Segment Performance

Helped or Matched Performance:

- ◆ **International Equity Exposure:** The System's total international equity composite outperformed against the total equity policy by a large margin for the quarter and continued to do well over longer-term periods.
- ◆ **Internal International Equity Index:** The System's internally managed international equity index fund outperformed the total equity policy index over the quarter.
- ◆ **Emerging Markets Exposure:** CalPERS' emerging markets portfolios were the highest returning equity segment during the 3Q and beat the total equity policy index by a large margin. They were also the best performers within the equity program for all longer-time periods shown.
- ◆ **International Equity MDP:** The international equity MDP program outperformed relative to the total equity policy this quarter.
- ◆ **International Environmental Program:** The international environmental program also performed well and beat the total equity policy index during the 3Q.

Impeded Performance:

- ◆ **Domestic Equity Exposure:** The System's U.S. equity composite underperformed relative to the total equity policy for the quarter, although the composite nearly matched its own policy index.
- ◆ **Internal PERS 3000:** The System's internal PERS 3000 index fund trailed the total equity policy while matching its own custom benchmark during the 3Q.
- ◆ **Domestic Internal Micro Cap:** The internal Micro Cap index fund outperformed its own custom benchmark by a large margin this quarter, but its return lagged relative to the total equity policy.
- ◆ **Dynamic Completion Fund (DCF):** The DCF portfolio underperformed the total equity policy return for the quarter, although the fund's track record has done well relative to the equity policy over the one- and three-year periods.
- ◆ **Domestic Equity MDP:** The System's domestic equity MDP programs underperformed against the total equity policy.
- ◆ **Domestic Environmental Equity:** Domestic environmental equity also underperformed the total equity policy for the quarter.
- ◆ **RM ARS Program:** The System's RM ARS program produced the lowest 3Q return among all equity programs and lagged the total equity policy.
- ◆ **Corporate Governance:** The Corporate Governance program underperformed relative to the total equity policy during 3Q while beating its custom policy benchmark.



Total Equity Review for PERF - U.S. Equity Manager Performance

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
US Equity Composite ²³	41.7	11.3%	11.3%	-6.6%	1.0%	0.2%	12/79
PERS Custom Index		11.4%	11.0%	-6.5%	1.1%	0.0%	
Value Added		-0.1%	0.3%	-0.1%	-0.1%	0.2%	
Total Internal Equity	36.0	11.4%	11.3%	-6.2%	1.3%	0.4%	6/88
Internal PERS 3000	28.9	11.5%	11.2%	-6.3%	1.3%	0.3%	12/91
Custom Benchmark		11.5%	11.0%	-6.5%	1.1%	0.0%	
Value Added		0.0%	0.2%	0.2%	0.2%	0.3%	
Dynamic Completion Fund (DCF)	1.8	11.6%	13.1%	-5.6%	1.5%	1.0%	9/98
Custom Benchmark		11.5%	12.9%	-5.2%	1.9%	0.8%	
Value Added		0.1%	0.2%	-0.4%	-0.4%	0.2%	
Internal Domestic Fundamental	2.4	11.1%	12.2%	-6.8%	-.%	-.%	6/06
Custom Benchmark		11.5%	11.0%	-6.5%	-.%	-.%	
Value Added		-0.4%	1.2%	-0.3%	-.%	-.%	
Synthetic Equity	2.5	11.5%	11.3%	-.%	-.%	-.%	6/09
S&P 500		11.3%	10.2%	-.%	-.%	-.%	
Value Added		0.2%	1.1%	-.%	-.%	-.%	
Internal Fan Long	0.1	11.6%	10.5%	-.%	-.%	-.%	9/09
Custom Benchmark		11.5%	11.0%	-.%	-.%	-.%	
Value Added		0.1%	-0.5%	-.%	-.%	-.%	
Internal Microcap	0.2	8.9%	13.8%	-3.7%	1.6%	-.%	9/03
Custom Benchmark		5.8%	6.3%	-6.6%	-0.4%	-.%	
Value Added		3.1%	7.5%	2.9%	2.0%	-.%	
Total External Domestic Equity	4.9	11.3%	10.1%	-8.3%	-0.4%	-0.6%	6/87
Total Active External Mainstream	1.3	11.5%	9.3%	-9.3%	-0.5%	-1.5%	6/98
Total Domestic External Enhanced	0.9	10.6%	8.5%	-7.5%	-0.1%	-.%	9/04
Custom Benchmark		11.1%	10.0%	-7.4%	0.4%	-.%	
Value Added		-0.5%	-1.5%	-0.1%	-0.5%	-.%	
External Long/Short	1.1	10.7%	10.7%	-7.0%	-.%	-.%	6/07
Custom Benchmark		11.3%	10.3%	-7.2%	-.%	-.%	
Value Added		-0.6%	0.4%	0.2%	-.%	-.%	
FIS Fund of Funds*	0.3	13.8%	13.7%	-.%	-.%	-.%	3/08
Custom Benchmark		12.9%	11.1%	-.%	-.%	-.%	
Value Added		0.9%	2.6%	-.%	-.%	-.%	
Leading Edge Fund of Funds*	0.3	14.0%	15.0%	-.%	-.%	-.%	3/08
Custom Benchmark		13.5%	15.2%	-.%	-.%	-.%	
Value Added		0.5%	-0.2%	-.%	-.%	-.%	
Total Domestic Equity MDP	0.5	11.9%	10.2%	-8.8%	-0.7%	-.%	12/00
Total Domestic Equity MDP II*	0.8	13.8%	8.4%	-8.7%	-.%	-.%	3/07
Domestic Environmental Equity	0.1	11.0%	9.8%	-7.7%	-0.5%	-.%	3/05
Custom Benchmark		11.3%	10.4%	-7.1%	0.6%	-.%	
Value Added		-0.3%	-0.6%	-0.6%	-1.1%	-.%	
Domestic Equity Active Manager Program ²⁴							
Active External Managers + Enh + DCF	5.1	11.2%	10.8%	-7.5%	0.2%	-0.6%	6/98
PERS Custom Index		11.4%	11.0%	-6.5%	1.1%	0.0%	
Value Added of Active Mgr Program		-0.2%	-0.2%	-1.0%	-0.9%	-0.6%	

²³ Composites may not add up exactly due to rounding. The US Equity Composite includes LM Capital which is a fixed income manager that has been allocated to the equity segment. And Atlantic, Smith Breeden, and WAMCO which had their assets move internally.

²⁴ This composite combines components listed above to present a comparison of the total domestic equity active manager program versus its benchmark.

* Includes international managers that are part of the composite.



Total Equity Review for PERF - International Equity Manager Performance

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
Total Intl Equity ex-AIM & ex-Currency overlay²⁵	56.8	17.3%	9.6%	-6.5%	4.9%	4.7%	
<i>Custom Benchmark²⁶</i>		16.7%	6.8%	-7.3%	4.3%	4.3%	
<i>Value Added</i>		0.6%	2.8%	0.8%	0.6%	0.4%	
Internal International Equity²⁸	31.2	16.6%	4.9%	-8.4%	-.%	-.%	9/06
<i>Custom Benchmark</i>		16.6%	4.8%	-8.3%	-.%	-.%	
<i>Value Added</i>		0.0%	0.1%	-0.1%	-.%	-.%	
Developed Market Small Cap	5.1	19.1%	13.7%	-.%	-.%	-.%	6/08
<i>CalPERS FTSE Developed Index</i>		19.0%	13.6%	-.%	-.%	-.%	
<i>Value Added</i>		0.1%	0.1%	-.%	-.%	-.%	
Fundamental Developed Intl	2.2	16.8%	1.7%	-9.3%	-.%	-.%	3/07
<i>CalPERS FTSE Developed Index</i>		16.6%	4.8%	-8.3%	-.%	-.%	
<i>Value Added</i>		0.2%	-3.1%	-1.0%	-.%	-.%	
Internal Int'l Emerging Markets	4.7	18.7%	21.8%	-.%	-.%	-.%	6/08
<i>CalPERS FTSE All Emerging Ex KLD Ex Sudan</i>		18.7%	21.9%	-.%	-.%	-.%	
<i>Value Added</i>		0.0%	-0.1%	-.%	-.%	-.%	
Structured Emerging Markets	0.8	19.6%	23.6%	2.1%	-.%	-.%	6/07
<i>CalPERS FTSE All Emerging (w/o Tobacco)</i>		18.7%	21.9%	1.6%	-.%	-.%	
<i>Value Added</i>		0.9%	1.7%	0.5%	-.%	-.%	
Fundamental Emerging Markets	0.5	19.0%	25.7%	2.8%	-.%	-.%	6/07
<i>CalPERS FTSE All Emerging (w/o Tobacco)</i>		18.7%	21.9%	1.6%	-.%	-.%	
<i>Value Added</i>		0.3%	3.8%	1.2%	-.%	-.%	
Int'l Active Mainstream	5.2	17.5%	9.9%	-8.2%	3.9%	3.5%	3/89
<i>Custom Benchmark</i>		16.5%	7.4%	-7.0%	4.6%	4.5%	
<i>Value Added</i>		1.0%	2.5%	-1.2%	-0.7%	-1.0%	
Int'l Emerging Markets	4.9	20.3%	26.8%	1.4%	12.9%	-.%	9/02
<i>CalPERS FTSE All Emerging Index (with Tobacco)</i>		18.2%	21.4%	-0.2%	12.9%	-.%	
<i>Value Added</i>		2.1%	5.4%	1.6%	0.0%	-.%	
Total Int'l MDP²⁷	0.1	14.6%	8.7%	-5.1%	4.8%	3.7%	6/00
Environmental International	0.2	15.7%	6.1%	-8.7%	-.%	-.%	3/06
<i>Custom Benchmark</i>		16.5%	4.9%	-8.3%	-.%	-.%	
<i>Value Added</i>		-0.8%	1.2%	-0.4%	-.%	-.%	

²⁵ Composite may not add up exactly due to rounding. The Non-US Equity Composite does not include the effect of the currency hedging program. The currency overlay portion rolls into total fund performance and market value.

²⁶ The PERS Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

²⁷ Total MDP market value is also included in the International Active Equity + MDP Composite.

²⁸ Includes international equity ex-currency overlay.



RM ARS Program Review for PERF Period Ended 9/30/10

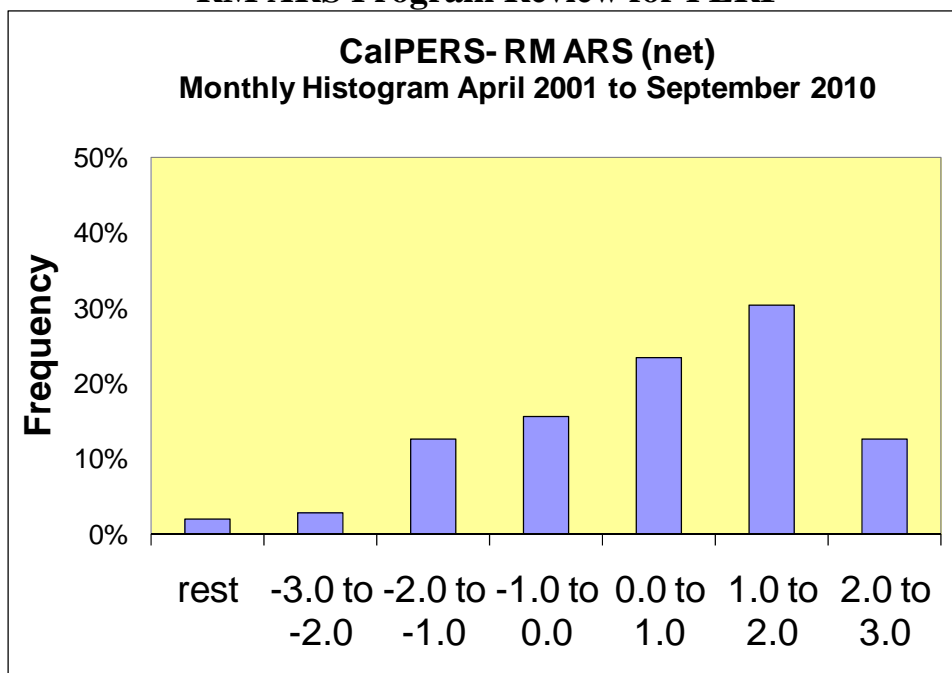
	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>5-Year Info Ratio</u> ³⁰	<u>5-Year Up Capture Ratio</u>	<u>5-Year Sharpe Ratio</u> ³¹	<u>5-Year Sortino Ratio</u> ³²
Total RM ARS Program	5.4	2.6%	6.3%	-1.0%	3.7%	-0.7	0.4	0.2	0.2
Policy Index ²⁹		1.5%	5.9%	7.7%	8.6%				
Value Added		1.1%	0.4%	-8.7%	-4.9%				
Total Direct Investments	3.9	3.1%	8.2%	-0.5%	4.3%				
Total Fund of Funds	1.5	1.2%	1.2%	-1.4%	-.%				
HFRI Fund of Funds Index		3.4%	3.6%	-3.0%	2.2%				

RM ARS Program Characteristics Period Ended 9/30/10

Rolling Correlations vs. Index

<u>Percentage of positive Months</u>	<u>Beta vs. S&P 500</u>	<u>W5000</u>	<u>PERS 2500</u>	<u>Domestic Fixed Index</u>	<u>MSCI AW X US</u>
67%	0.3	0.7	0.7	0.2	0.8

RM ARS Program Review for PERF



²⁹ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

³⁰ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

³¹ The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

³² The Sortino Ratio is measure of a risk-adjusted return of an investment asset. It is an extension of the Sharpe Ratio. While the Sharpe ratio takes into account any volatility, in return of an asset, Sortino ratio differentiates volatility due to up and down movements. The up movements are considered desirable and not accounted in the volatility.



- ◆ **Beta vs. S&P 500:** This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.3 which implies a semi-weak relationship to stock market return, which is appropriate for this program.
- ◆ **Correlation vs. various indices:** We have calculated the historical correlation between the RM ARS and CalPERS' other main asset classes. Over a market cycle, the RM ARS has shown positive correlation to the equity markets while exhibiting a relatively low correlation with fixed income.
- ◆ **Histogram:** The RM ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performance results. A significant number of outlying monthly performance returns would indicate insufficient risk controls. We believe that the distribution of monthly returns is as expected.

Corporate Governance Review

Periods Ended 9/30/10

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Date</u>
Total Corporate Governance	4.5	10.0%	7.7%	-8.8%	-0.6%	6.6%	12/98
<i>Policy Index</i>		9.6%	5.9%	-8.9%	0.0%	1.4%	
<i>Value Added</i>		0.4%	1.8%	0.1%	-0.6%	5.2%	
Total Domestic Corporate Governance	2.4	11.5%	12.6%	-5.4%	-0.2%	10.0%	12/98
<i>Policy Index</i>		10.4%	11.3%	-4.5%	2.2%	0.5%	
<i>Value Added</i>		1.1%	1.3%	-0.9%	-2.4%	9.5%	12/98
Total Int'l Corporate Governance	2.1	8.2%	1.4%	-12.2%	-1.1%	3.1%	12/98
<i>Policy Index</i>		8.6%	-1.0%	-13.6%	-2.8%	2.2%	
<i>Value Added</i>		-0.4%	2.4%	1.4%	1.7%	0.9%	12/98

- ◆ The System's total corporate governance program outperformed relative to its objective. The international corporate governance composite slightly trailed its policy index for the quarter. However, the domestic corporate governance composite produced a notable outperformance and was able to more than offset its international counterpart.



Total Fixed Income Review for PERF

Periods Ended 9/30/10

Fixed Income Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Fixed Income	23.1%	21.0%	2.1%

Fixed Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ³⁶	5-year Sharpe Ratio ³⁷	5-year Info Ratio ³⁸
Total Fixed Income	48.3	5.0%	15.5%	9.9%	8.0%	8.3%	\$2.9 bil	0.8	0.2
Fixed Income Policy Index ³³		4.6%	11.2%	9.3%	7.2%	7.7%		0.7	0.0
Value Added		0.4%	4.3%	0.6%	0.8%	0.6%			
U.S. Fixed Income	44.9	4.6%	16.4%	9.9%	8.0%	8.2%		0.8	0.2
Policy Index ³⁴		4.1%	11.7%	9.3%	7.1%	7.6%		0.7	0.0
Value Added		0.5%	4.7%	0.6%	0.9%	0.6%			
Non-U.S. Fixed Income	3.4	11.0%	8.8%	9.9%	8.0%	8.5%		0.5	0.3
Policy Index ³⁵		10.4%	5.2%	8.3%	7.3%	8.0%		0.5	0.0
Value Added		0.6%	3.6%	1.6%	0.7%	0.5%			

Comments Regarding Recent Fixed Income Segment Performance

Helped Performance:

- ◆ **Corporate Bonds:** CalPERS' corporate bonds portfolio beat the overall fixed income segment for the quarter, as investors poured money into credits in search for higher yields.
- ◆ **Long Duration Bonds:** Long duration bonds performed better than the overall fixed income segment for the quarter. This was driven by near-zero yields offered by short-term bonds, which sent investors looking for yield in longer-term paper.
- ◆ **High Yield Bonds:** Both of CalPERS' external and internal high yield bond composites outperformed during the 3Q, as strong demand for incremental income in the current low-yield environment supported the high yield market.

³³ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

³⁴ The Domestic Fixed Income Policy Index consists of the Barclays Long Liability Index and is linked historically to its prior benchmark.

³⁵ The Non-US Fixed Income Policy Index consists of the Barclays International Fixed Income and is linked historically to its prior benchmark.

³⁶ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

³⁷ The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

⁴⁰ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

- ◆ **Internal Sovereign Bonds:** The System's Sovereign portfolio, which holds non-US government bonds that are U.S. Dollar denominated, performed better than the overall fixed income segment for the quarter and beat the total fixed policy.
- ◆ **International Fixed Income:** The System's external international bond segment outperformed the total fixed income policy for the quarter and was the highest returning fixed income segment on absolute terms.

Impeded Performance:

- ◆ **Treasury Bonds:** Treasury bonds underperformed versus the total fixed income policy index for the quarter as Fed's continued effort to prop up U.S. economy by injecting cash into the Treasury market drove investors to other higher-yielding debt issues.
- ◆ **Mortgage Bonds:** CalPERS' mortgage portfolio underperformed the overall fixed income segment.
- ◆ **Special Investments:** The special investments underperformed versus the total fixed income policy index over the quarter and have also trailed over the one-, three-, five- and ten-year periods.



Fixed Income Review for PERF

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	Date
Total Fixed Income	48.3	5.0%	15.5%	9.9%	8.0%	8.3%	6/88
Fixed Income Policy Index ³⁹		4.6%	11.2%	9.3%	7.2%	7.7%	
Value Added		0.4%	4.3%	0.6%	0.8%	0.6%	
Total Internal Bonds + Opportunistic	44.1	4.6%	16.5%	9.9%	8.0%	8.2%	12/95
Mortgage Bonds	9.5	1.1%	11.1%	7.5%	6.4%	6.5%	12/82
Long Duration	3.4	5.5%	21.8%	10.9%	8.4%	-.%	6/05
Corporate Bonds	11.9	6.2%	15.4%	9.9%	7.7%	-.%	3/02
U.S. Government	9.9	5.0%	-.%	-.%	-.%	-.%	6/10
Duration Management	5.2	3.3%	7.3%	8.3%	6.8%	7.2%	12/99
Sovereign Bonds ⁴⁰	1.0	8.5%	16.6%	9.6%	7.7%	9.7%	6/96
Long Duration Corporates	0.9	7.6%	20.2%	10.6%	-.%	-.%	9/05
Custom Benchmark ⁴¹		4.4%	11.7%	9.3%	7.1%	7.6%	
Opportunistic ⁴²	3.7	7.0%	41.9%	-2.0%	6.5%	7.9%	6/00
Internal High Yield Bonds*	0.8	7.8%	27.6%	20.0%	17.6%	17.4%	
External High Yield*	1.6	6.1%	18.4%	-1.6%	3.4%	-.%	
Citigroup High Yield Cash Pay		6.1%	17.1%	8.0%	7.7%	8.0%	
Special Investments	0.8	2.0%	9.9%	8.3%	7.1%	7.0%	3/91
External International Fixed Income	3.4	11.0%	8.8%	9.9%	8.0%	8.5%	3/89
Custom Benchmark ⁴³		10.4%	5.2%	8.3%	7.3%	8.0%	
Value Added		0.6%	3.6%	1.6%	0.7%	0.5%	
Currency overlay ⁴⁴							
Pareto	-0.2	1.1%	-1.1%	-0.5%	0.5%	1.1%	6/02
Custom Benchmark		-0.1%	-0.3%	-0.2%	0.7%	0.2%	
Value Added		1.2%	-0.8%	-0.3%	-0.2%	0.9%	
SSgA	-0.1	2.0%	-0.5%	0.0%	1.3%	0.9%	12/96
Custom Benchmark		-0.1%	-0.3%	-0.2%	0.7%	0.2%	
Value Added		2.1%	-0.2%	0.2%	0.6%	0.7%	
Short Term							
High Quality LIBOR*	3.9	0.2%	1.1%	0.5%	2.3%	2.5%	9/00
Custom Benchmark		0.1%	0.2%	1.1%	2.6%	2.5%	
Value Added		0.1%	0.9%	-0.6%	-0.3%	0.0%	
Short Duration LIBOR*	2.5	1.3%	9.0%	1.4%	2.8%	-.%	9/02
Custom Benchmark		0.1%	0.2%	1.1%	2.6%	-.%	
Value Added		1.2%	8.8%	0.3%	0.2%	-.%	

³⁹ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

⁴⁰ The Internal Sovereign Bond market value is also included in the Internal Treasury Bond market value.

⁴¹ The custom benchmark consists of the Barclays Long Liability Index. Prior of 3Q 2004 the benchmark was Citigroup LPF.

⁴² Opportunistic includes internal and external high yield. Internal High Yield's market value is included in both the Total Internal Bonds and the Opportunistic Market Values.

⁴³ The custom benchmark consists of the Barclays International Fixed Income and is linked historically to its prior benchmark.

⁴⁴ The Currency Overlay program is rolled directly into total fund but it is managed by the fixed income managers. The market value is the gain or loss.

* These portfolios and/or composites are unitized and are included across multiple plans.



Total Inflation Linked Performance for PERF Period Ended 9/30/10

Inflation Linked Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Inflation Linked	3.0%	4.0%	-1.0%

Inflation Linked Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	Date
Inflation Linked	6.5	3.8%	6.2%	0.3%	-.%	-.%	9/07
<i>CPI + 400 BP ***</i>		1.1%	5.2%	5.7%	-.%	-.%	
<i>Value Added</i>		2.7%	1.0%	-5.4%	-.%	-.%	
Total Inflation Linked ex-Commodities	4.4	2.1%	5.4%	3.4%	-.%	-.%	9/07
<i>CPI + 400 BP ***</i>		1.1%	5.2%	5.7%	-.%	-.%	
<i>Value Added</i>		1.0%	0.2%	-2.3%	-.%	-.%	
Commodities Collateral	2.0	0.1%	0.2%	0.7%	-.%	-.%	9/07
<i>Blended LIBOR Fed Fund Index</i>		0.1%	0.2%	1.1%	-.%	-.%	
<i>Value Added</i>		0.0%	0.0%	-0.4%	-.%	-.%	
Commodities Overlay**	0.2	8.1%	5.8%	-14.1%	-.%	-.%	9/07
<i>Goldman Sachs Commodity Excess Return Index</i>		8.2%	4.1%	-14.1%	-.%	-.%	
<i>Value Added</i>		-0.1%	1.7%	0.0%	-.%	-.%	
Forestland*	2.4	0.6%	3.1%	-.%	-.%	-.%	12/07
<i>CPI + 500 BP ***</i>		1.3%	6.2%	-.%	-.%	-.%	
<i>Value Added</i>		-0.7%	-3.1%	-.%	-.%	-.%	
Inflation Linked Bonds	1.6	5.2%	7.1%	-.%	-.%	-.%	3/08
<i>Barclays Inflation Linked Bonds Index</i>		5.4%	7.2%	-.%	-.%	-.%	
<i>Value Added</i>		-0.2%	-0.1%	-.%	-.%	-.%	
Infrastructure*	0.4	-0.8%	36.6%	-.%	-.%	-.%	12/07
<i>CPI + 500 BP ***</i>		1.3%	6.2%	-.%	-.%	-.%	
<i>Value Added</i>		-2.1%	30.4%	-.%	-.%	-.%	

- ◆ CalPERS Inflation Linked asset class outperformed its benchmark, CPI + 400 bps, for the quarter. The ILAC's one-year track record also outperformed, but it continued to trail over the three-year period.

* Are reported on a quarter-lag basis.

** The overlay portfolio is a derivatives portfolio which has no market value but a notional value approximately equal to the size of the commodities collateral.

*** Are reported on a month-lag basis.



Total Real Estate Review for PERF Period Ended 9/30/10

Real Estate Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Estate	7.1%	10.0%	-2.9%

Real Estate Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁴⁷	5-year Sharpe Ratio ⁴⁸
Total Real Estate ⁴⁵	15.3	-1.0%	-10.8%	-26.9%	-10.7%	1.8%	\$2.3 bil	-0.7
Policy Index ⁴⁶		5.3%	2.3%	-2.4%	5.3%	7.9%		0.3
TUCS Real Estate Median		5.2%	5.8%	-10.1%	0.0%	6.1%		
Core Real Estate Ex-Public REITS	6.1	0.7%	-3.2%	-21.1%	-6.3%	4.8%		
NCREIF Property 1 Qtr Lagged		3.3%	-1.5%	-4.7%	3.8%	7.2%		
Opportunistic	8.0	-4.5%	-18.9%	-34.2%	-16.4%	-3.5%		
NPI + 400BPS		4.3%	2.5%	-0.9%	7.9%	11.4%		
Public REITS	1.2	18.4%	16.6%	-11.1%	1.4%	-.-%		
FTSE EPRA/NAREIT DE Index		18.4%	18.4%	-9.7%	2.6%	-.-%		

- ◆ CalPERS' real estate composite produced a return of -1.0% during the quarter, underperforming its custom index as well as the TUCS Real Estate Median.

⁴⁵ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

⁴⁶ The performance of CalPERS' real estate segment is lagged one quarter. The policy index changed in July 2008. The new benchmark is 90% of NCREIF + 200% and 10% of FTSE NAREIT Global Index.

⁴⁷ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

⁴⁸ The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

*The value added composite currently does not hold any investments.



AIM Program Review for PERF Period Ended 9/30/10

AIM Program Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
AIM	13.9%	14.0%	-0.1%

AIM Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VAR ⁵¹	5-year Sharpe Ratio ⁵²
AIM Program ⁴⁹	29.9	1.2%	23.3%	-0.9%	9.3%	4.6%	\$9.3 bil	0.6
Policy Index ⁵⁰		-10.6%	19.1%	6.6%	11.0%	3.3%		0.8
Value Added		11.8%	4.2%	-7.5%	-1.7%	1.3%		
Lagged PERS 2500 + 3%		-10.6%	19.1%	-6.6%	2.6%	1.9%		
Long-Term Policy (10-Year PERS 2500 + 3%)						3.0%		
AIM Partnership Investments	29.7	1.1%	23.3%	-0.8%	9.4%	4.4%		
AIM Distribution Stock	0.2	20.7%	24.2%	11.9%	11.4%	-0.6%		

Cash Program Review for PERF

Cash Program Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Cash	1.5%	2.0%	-0.5%

Cash Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Cash Composite	3.2	0.1%	0.3%	1.6%	3.0%	2.9%
Policy Index ⁵³		0.1%	0.2%	1.5%	2.9%	2.7%
Value Added		0.0%	0.1%	0.1%	0.1%	0.2%

⁴⁹The performance of CalPERS' AIM segment is lagged one quarter.

⁵⁰ The AIM Policy is the Wilshire 2500 + 3% lagged one quarter and linked previously to the custom young fund.

⁵¹ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

⁵² The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

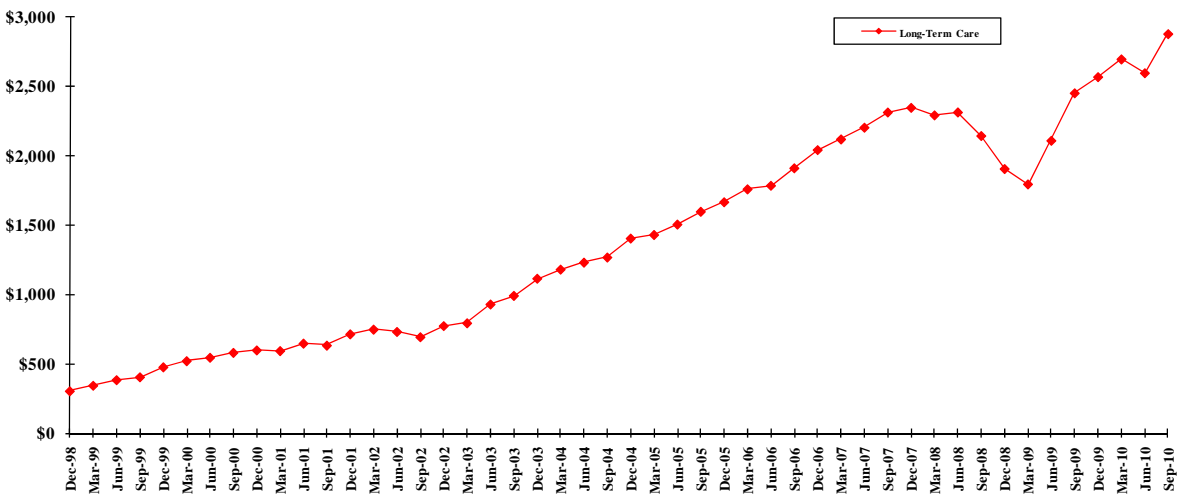
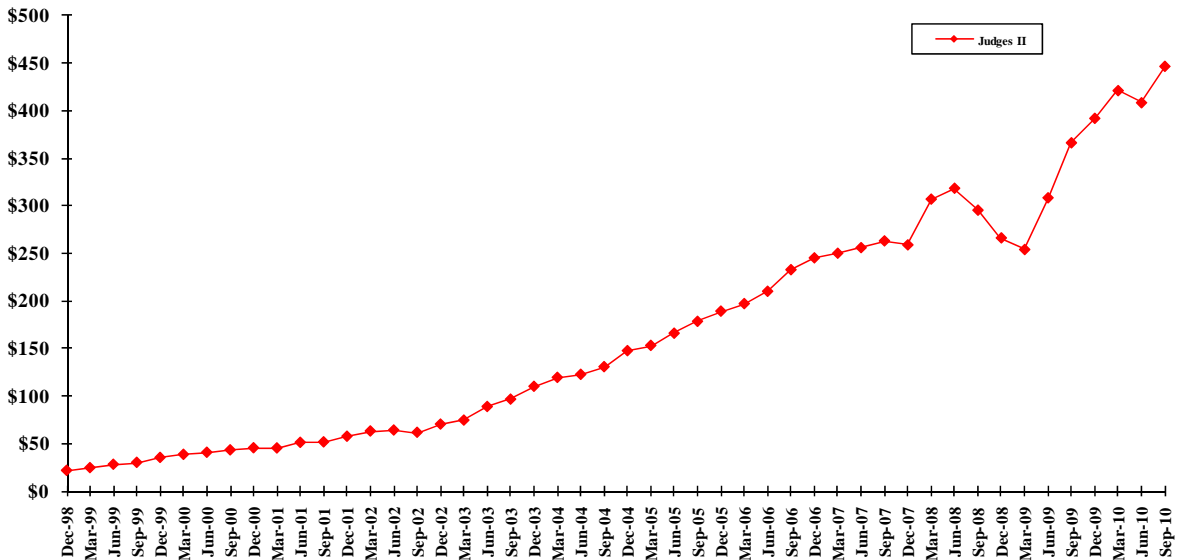
⁵³ The Custom STIF Policy Index is a custom index.

Affiliate Fund Information



Affiliate Fund Performance Period Ended September 30, 2010

Growth in Assets (in \$Millions)





Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II	\$447.0 mil	10.4%	11.2%	-1.4%	3.9%	3.7%
<i>Weighted Policy Benchmark</i> ⁵⁴		10.5	10.6	-1.3	3.9	3.6
Long Term Care ("LTC")	\$2,879.9 mil	9.3	11.5	0.3	4.6	3.8
<i>Weighted Policy Benchmark</i> ⁵⁴		9.4	10.9	0.3	4.5	3.7
<i>TUCS Public Fund Median</i> ⁵⁵		8.7	10.2	-1.4	3.9	4.2

Asset Allocation

Judges II Asset Allocation: Actual versus Target Weights

<u>Asset Class</u>	<u>Actual Asset Allocation (%)</u>	<u>Target Asset Allocation (%)</u>	<u>Difference</u>
US Equities	33.8	34.0	-0.2
Int'l Equity	20.2	20.0	0.2
US Bonds	36.0	36.0	0.0
Real Estate	10.0	10.0	0.0
Cash	0.0	0.0	0.0
Total	100.0	100.0	0.0

LTC Asset Allocation: Actual versus Target Weights

<u>Asset Class</u>	<u>Actual Asset Allocation (%)</u>	<u>Target Asset Allocation (%)</u>	<u>Difference</u>
US Equities	28.9	29.0	-0.1
Int'l Equity	19.2	19.0	0.2
US Bonds	30.0	30.0	0.0
High Yield	10.0	10.0	0.0
TIPS	6.9	7.0	-0.1
Real Estate	5.0	5.0	0.0
Cash	0.0	0.0	0.0
Total	100.0	100.0	0.0

⁵⁴ The weighted policy benchmark returns for Judges II and LTC are based on asset class index returns weighted by asset class policy targets.

⁵⁵ The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolios returns subdivided by client type and asset class.



Commentary

- ◆ For the quarter ended September 30, 2010, the Judges II generated a total return of 10.4% and lightly trailed its weighted policy benchmark's return of 10.5%. Over longer-term periods, Judges II has outperformed its policy benchmark for the one-year and ten-year marks.
- ◆ The LTC generated a third quarter return of 9.3% and slightly underperformed its weighted policy benchmark's return of 9.4%. The LTC's longer term record has outperformed its policy benchmark for the one-year, five-year, and ten-year periods while matching for the three-year period.
- ◆ At the end of the quarter, Judges II was underweight in U.S. equity and overweight in international equity.
- ◆ The LTC had an overweight in international equity and an underweight in U.S. equity and TIPS.

U.S. Equity Performance

U.S. Equity Performance Periods Ended September 30, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II U.S. Equity	\$151.1 mil	11.1%	9.9%	-7.4%	0.5%	-0.6%
<i>Custom Benchmark</i> ⁵⁶		11.1	9.9	-7.4	0.4	-0.6
LTC U.S. Equity	\$830.9	11.1	9.9	-7.4	0.5	-0.6
<i>Custom Benchmark</i> ⁵⁶		11.1	9.9	-7.4	0.4	-0.6
<i>TUCS Equity Median</i>		11.2	11.9	-5.2	1.9	2.7

Commentary

- ◆ The Judges II and LTC equity funds, which are invested in the Custom S&P 500 ex-Tobacco Index Fund, generated a return of 11.1% for the quarter and matched their custom benchmark. The funds have continued to track very closely to the S&P 500 ex-Tobacco Index over longer-term periods.

⁵⁶ A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segments of Judges II and LTC starting with February 2001 performance. Prior of that the benchmark was the S&P 500 Index.



International Equity Performance

International Equity Performance Periods Ended September 30, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II Int'l Equity	\$90.3 mil	16.6%	4.9%	-8.4%	3.1%	3.2%
<i>Custom Benchmark</i> ⁵⁷		16.6	4.8	-8.3	3.0	3.1
LTC Int'l Equity	\$553.2	16.6	4.9	-8.4	2.9	3.2
<i>Custom Benchmark</i> ⁵⁷		16.6	4.8	-8.3	3.0	3.1

Commentary

- ◆ The Judges II and LTC international equity funds returned 16.6% for the quarter and mirrored their custom benchmark, the FTSE Developed World ex-US & Tobacco Index. Over the long term, the funds continue to track closely to the benchmark while exhibiting positive tracking errors.

⁵⁷ Effective October 1, 2006, the benchmark is FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was the MSCI EAFE Index (Net).



Total Fixed Income

Fixed Income Performance Periods Ended September 30, 2010

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Judges II Fixed Income	\$160.7 mil	4.5%	14.4%	9.6%	7.4%	7.3%
<i>Custom Benchmark</i> ⁵⁸		4.1	11.7	9.3	7.1	6.8
LTC Fixed Income	\$863.8	4.5	14.4	9.6	7.4	7.5
<i>Custom Benchmark</i> ⁵⁹		4.1	11.7	9.3	7.1	6.8
LTC High Yield	\$287.7	6.8	19.7	7.6	7.9	-.
<i>Barclays Long Liability High Yield</i>		6.1	17.1	8.0	7.7	-.
LTC TIPS	\$199.7	2.5	8.9	7.2	5.5	-.
<i>Barclays Long Liability TIPS</i>		2.5	8.9	6.9	5.3	-.

Commentary

- ◆ The Judges II and LTC core fixed income portfolios both returned 4.5% for the quarter and outperformed their benchmark, the Barclays Long Liability Index's return of 4.1%. Over the long term, the core fixed income portfolios have outperformed all measured periods shown.
- ◆ LTC's high yield portfolio generated a solid return of 6.8% for the quarter, outperforming the Barclays Long Liability High Yield Index, which returned 6.1%. The high yield portfolio has outperformed its benchmark for the one-year and five-year periods.
- ◆ The LTC's TIPS portfolio matched the Barclays Long Liability TIPS Index as they both returned 2.5% for the quarter. Over the three-year and five-year periods, the TIPS portfolio has added value relative to its benchmark.

⁵⁸ The current benchmark is the Barclays Long Liability Index. Prior of July 2005 the benchmark was the Barclays Aggregate Bond Index.

⁵⁹ The current benchmark is the Barclays Long Liability Index. Barclays Long Liability ex TIPS ex High Yield was the benchmark between June 2007 and July 2005. Prior of that the benchmark was the Barclays Aggregate Bond Index.



Total Real Estate

Real Estate Performance Periods Ended September 30, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
Judges II REIT	\$44.8 mil	18.4%	14.5%	-10.1%	-0.7%
LTC REIT	144.5 mil	18.4	14.5	-10.7	-1.1
<i>Custom Benchmark ⁶⁰</i>		18.4	14.2	-11.1	-1.3
<i>Wilshire RESI</i>		13.2	30.0	-7.1	1.3
<i>TUCS Real Estate Median</i>		5.2	5.8	-10.1	0.0

Commentary

- ◆ Judges II and LTC's REIT portfolios produced a third quarter return of 18.4%, matching their custom benchmark, currently the FTSE EPRA/NAREIT Developed Index. The REIT portfolio has outperformed for all other time periods.

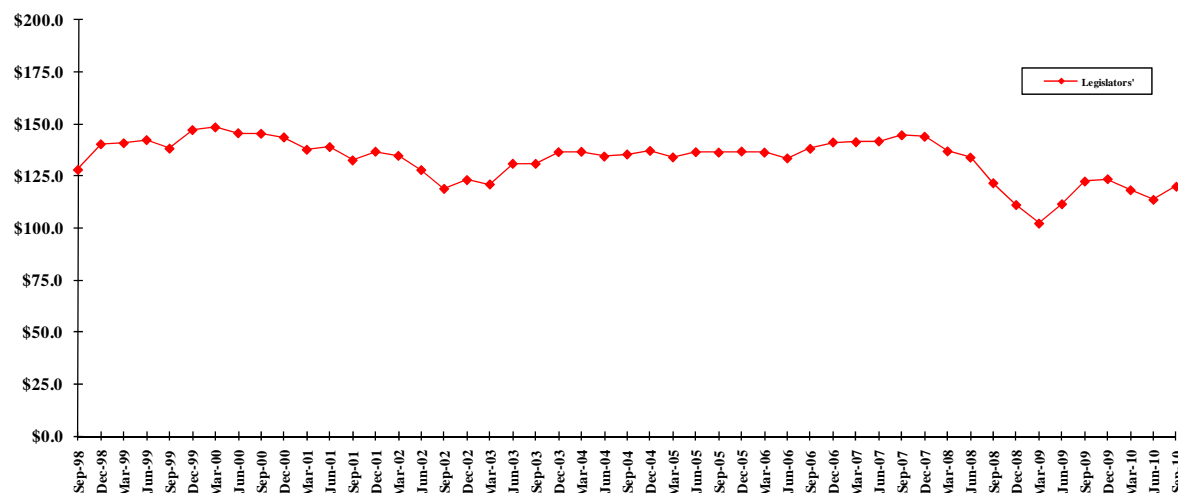
⁶⁰ Current benchmark is the FTSE EPRA/NAREIT Developed Index. Historically, it has been the Wilshire RESI and REIT Indices.

Legislators' Information



California Legislators' Retirement System

Growth in Assets



Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2010

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS	\$120.0 mil	7.4%	11.7%	2.8%	5.2%	4.9%
<i>Weighted Policy Benchmark</i> ⁶¹		7.4	10.8	2.6	5.0	5.1
<i>TUCS Public Fund Median</i> ⁶²		8.7	10.2	-1.4	3.9	4.2

Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	29.8%	30.0%	-0.2%
International Equity	10.5	10.0	+0.5
US Bonds	49.8	50.0	-0.2
TIPS	9.9	10.0	-0.1
Cash Equivalents	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	100.0	100.0	0.0

⁶¹ The weighted policy benchmark returns are calculated based on asset class index returns weighted by asset class policy targets.

⁶² The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.



Commentary

- ◆ The California Legislators' Retirement System ("LRS, the System") generated a return of 7.4% for the third quarter of 2010 and matched its weighted policy benchmark. The System's track record compared favorably to its policy benchmark over the one-, three-, and five-year marks. Relative to the TUCS Public Fund Median, the LRS' portfolio underperformed for the quarter but has outperformed over all longer periods.
- ◆ As of September 30, the System was overweight international equity while underweight in U.S. equity, U.S. bonds, and TIPS.

LRS Internal U.S. Equity Assets

LRS Internal U.S. Equity Performance Periods Ended September 30, 2010

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS U.S. Equity	\$35.7 mil	11.1%	9.9%	-7.4%	0.5%	-0.6%
<i>Custom S&P 500 Index</i> ⁶³		11.1	9.9	-7.4	0.4	-0.6
<i>TUCS Equity Median</i>		11.2	11.9	-5.2	1.9	2.7

Commentary

- ◆ The System's U.S. equity portfolio generated a return of 11.1% during the third quarter, matching its custom benchmark, the S&P 500 ex-Tobacco Index. Over the one-year and longer periods, the portfolio continues to track very closely to its custom benchmark.

International Equity Performance

Total International Equity Performance Periods Ended September 30, 2010

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS International	\$12.6 mil	16.6%	4.9%	-8.4%	3.0%	3.3%
<i>Custom Benchmark</i> ⁶⁴		16.6	4.8	-8.3	3.0	3.1

⁶³ A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segment of LRS starting with the February 2001 performance. Prior of that the benchmark was the S&P 500 Index.

⁶⁴ Effective October 1, 2006, the benchmark is the FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was the MSCI EAFE Index (Net).



Commentary

- ◆ The System's international equity portfolio returned 16.6% for the quarter and mirrored its custom benchmark, the FTSE Developed World ex-U.S. & Tobacco Index. The international equity portfolio has outperformed for the one- and ten-year periods.

Total Fixed Income

Total Fixed Income Performance Periods Ended September 30, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
LRS Fixed Income	\$59.8 mil	4.5%	14.4%	9.6%	7.6%	7.4%
<i>Custom Benchmark</i> ⁶⁵		4.1	11.7	9.3	7.2	7.7
LRS TIPS	\$11.9 mil	2.5	8.9	7.3	5.5	--
<i>Custom Benchmark</i> ⁶⁶		2.5	8.9	6.9	5.3	--

Commentary

- ◆ The LRS fixed income portfolio produced a return of 4.5% for the quarter and outperformed its custom benchmark, the Barclays Long Liability Index. The fixed income portfolio's one-year, three-year, and five-year performance have also beaten its custom benchmark.
- ◆ The System's TIPS portfolio generated a return of 2.5% for the quarter, equaling its custom benchmark, the Barclays U.S. TIPS Index. The TIPS portfolio has outperformed over the three year and five year periods.

⁶⁵ The current benchmark is the Barclays Long Liability Index. Lehman Long Liability ex TIPS was used as the benchmark between June 2005 and May 2007. Prior of that the benchmark was Citigroup LPF.

⁶⁶ The current benchmark is the Barclays U.S. TIPS Index. Prior of July 2007 the benchmark was the Barclays Long Liability TIPS Index.

California Employers' Retiree Benefit Trust



California Employers' Retiree Benefit Trust

Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	34.8%	35.0%	-0.2%
International Equity	29.2	29.0	+0.2
US Bonds	19.9	20.0	-0.1
High Yield	6.0	6.0	0.0
REITS	10.0	10.0	0.0
Cash Equivalents	<u>0.1</u>	<u>0.0</u>	<u>+0.1</u>
	100.0	100.0	0.0

Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Total Fund	\$1,467.5 mil	11.5%	10.2%	-2.7%	-.-%	-.-%
<i>Benchmark</i>		11.8	10.1	-3.2%	-.-%	-.-%
Domestic Equity	510.2 mil	11.1	9.9	-7.4	-.-%	-.-%
<i>Benchmark</i>		11.1	9.9	-7.4	-.-%	-.-%
International Equity	429.1 mil	16.6	4.9	-8.4	-.-%	-.-%
<i>Benchmark</i>		16.6	4.8	-8.3	-.-%	-.-%
REITS	146.9 mil	18.4	14.5	-10.1	-.-%	-.-%
<i>Benchmark</i>		18.4	14.2	-11.1	-.-%	-.-%
Fixed Income	291.3 mil	4.5	14.4	9.6	-.-%	-.-%
<i>Benchmark</i>		4.1	11.7	9.3	-.-%	-.-%
High Yield	88.7 mil	6.8	19.7	7.6	-.-%	-.-%
<i>Benchmark</i>		6.1	17.1	8.0	-.-%	-.-%
Cash	1.3 mil	0.1	0.2	1.5	-.-%	-.-%



Health Care Bond Fund

Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Health Care Bond Fund	\$443.4 mil	2.5%	8.9%	6.9%	-.-%	-.-%
<i>Benchmark</i>		2.5	8.2	7.4	-.-	-.-

Supplemental Income Plans



Supplemental Income Plan Performance

Net Fund Performance Results – Supplemental Contribution Plan

Periods Ended September 30, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
CalPERS International Index	\$202.8 thous	16.5	4.8	--	--
<i>FTSE Dev. World Index Ex-US</i>		16.6	5.1	--	--
CalPERS Small/Mid Equity Index	214.8 thous	12.2	15.9	--	--
<i>Russell 2500</i>		12.2	15.9	--	--
CalPERS Target 2010	324.6 thous	6.6	6.7	--	--
<i>SIP 2010 Index</i>		7.7	9.5	--	--
CalPERS Target 2015	3.6 thous	7.7	7.4	--	--
<i>SIP 2015 Index</i>		8.7	9.9	--	--
CalPERS Target 2020	75.8 thous	8.7	7.5	--	--
<i>SIP 2020 Index</i>		9.6	9.8	--	--
CalPERS Target 2025	47.4 thous	--	--	--	--
<i>SIP 2020 Index</i>		--	--	--	--
CalPERS Target 2030	0.3 thous	11.0	8.4	--	--
<i>SIP 2030 Index</i>		11.8	10.2	--	--
CalPERS Target 2040	5.9 thous	12.0	8.8	--	--
<i>SIP 2040 Index</i>		12.7	10.5	--	--
CalPERS Target Income	84.5 thous	4.6	6.3	--	--
<i>SIP Income Policy</i>		5.6	9.0	--	--
CalPERS TIPS Securities	493.2 thous	2.5	8.6	--	--
<i>Barclays U.S. TIP Index</i>		2.5	8.9	--	--
CalPERS Total Return Bond Fund	163.6 thous	2.4	8.6	--	--
<i>Barclays Aggregate Bond Index</i>		2.5	8.2	--	--
CalPERS Aggressive Asset Allocation	72.2 thous	12.0	8.9	--	--
<i>SIP Aggressive Policy</i>		12.7	10.5	--	--
CalPERS S&P 500 Equity Index	628.7 thous	11.3	10.2	--	--
<i>S&P 500 Index</i>		11.3	10.2	--	--
CalPERS Moderate Asset Allocation Fund	15.3 mil	8.6	7.5	--	--
<i>SIP Moderate Policy</i>		9.5	9.8	--	--



	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
CalPERS Conservative Asset Allocation	127.0 thous	4.6	6.3	--	--
<i>SIP Conservative Policy</i>		5.6	9.0	--	--
AllianceBernstein Large Cap Value	42.0 thous	8.6	3.4	--	--
<i>Russell 1000 Value</i>		10.1	8.9	--	--
Pyramis Select International	21.5 thous	16.3	4.1	--	--
<i>CalPERS FTSE Dev World x-US</i>		16.6	4.2	--	--
Turner Large Cap Growth	39.5 thous	10.6	6.6	--	--
<i>Russell 1000 Growth</i>		13.0	12.7	--	--
SSgA STIF	1.0 mil	--	--	--	--
<i>BofAML 3-month US T-Bill</i>		--	--	--	--
SCP Aggregate	18.8 mil	7.9	7.1	--	--
<i>CalPERS Custom SCP Plan</i>		8.6	8.9	--	--

Net Fund Performance Results – State Peace Officers’ & Firefighters’ (POFF) Defined Contribution Plan

Periods Ended September 30, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
State Peace Officers’ & Firefighters Plan (POFF)	\$435.1 mil	8.6%	7.5%	-2.8%	2.1%	1.9%
<i>SIP Moderate Policy</i>		9.5	9.8	-1.5	3.2	3.1



CalPERS 457 Program Net Funds Periods Ended September 30, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
CalPERS S&P 500 Equity Index	121.5 mil	11.2	9.9	-7.3	0.5	-0.7
<i>S&P 500 Index</i>		11.3	10.2	-7.2	0.6	-0.4
AllianceBernstein Large Cap Value	3.6 mil	8.5	3.3	-10.1	--	--
<i>Russell 1000 Value</i>		10.1	8.9	-9.4	--	--
Turner Large Cap Growth	35.3 mil	10.6	6.5	-9.3	--	--
<i>Russell 1000 Growth</i>		13.0	12.7	-4.4	--	--
CalPERS Small/Mid Equity Index	94.9 mil	12.2	15.6	-3.9	--	--
<i>Russell 2500 Index</i>		12.2	15.9	-3.6	--	--
CalPERS Total Return Bond Fund	48.4 mil	2.4	8.3	6.3	--	--
<i>Barclays Aggregate</i>		2.5	8.2	7.4	--	--
CalPERS TIPS Securities	22.2 mil	2.4	8.3	6.7	--	--
<i>Barclays U.S. TIPS Index</i>		2.5	8.9	6.9	--	--
CalPERS International Index	12.0 mil	16.5	4.5	-8.8	--	--
<i>FTSE Dev. World Index Ex-US</i>		16.6	5.1	-8.0	--	--
Boston Company SMID Growth	1.5 mil	11.0	11.2	--	--	--
<i>Russell 2500 Growth Index</i>		13.2	17.3	--	--	--
Boston Company SMID Value	1.4 mil	9.6	11.3	--	--	--
<i>Russell 2500 Value Index</i>		11.4	14.7	--	--	--
Pyramis Select International	29.8 mil	16.3	4.1	--	--	--
<i>CalPERS FTSE Dev World x-US</i>		16.6	4.2	--	--	--
CalPERS Conservative Asset Allocation	27.2 mil	4.6	6.2	--	--	--
<i>SIP Conservative Index</i>		5.6	9.0	--	--	--
CalPERS Moderate Asset Allocation Fund	93.7 mil	8.6	7.5	--	--	--
<i>SIP Moderate Policy</i>		9.5	9.8	--	--	--
CalPERS Target Income Fund	4.4 mil	4.6	6.2	--	--	--
<i>SIP Income Policy</i>		5.6	9.0	--	--	--



	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
CalPERS Aggressive Asset Allocation	\$43.0 mil	12.0	8.8	--	--	--
<i>SIP Aggressive Policy</i>		12.7	10.5	--	--	--
CalPERS Target 2005 Fund	\$0.5 mil	5.9	6.4	--	--	--
<i>SIP 2005 Policy</i>		7.0	9.4	--	--	--
CalPERS Target 2010 Fund	\$9.6 mil	6.6	6.6	--	--	--
<i>SIP 2010 Policy</i>		7.7	9.5	--	--	--
CalPERS Target 2015 Fund	\$8.1 mil	7.7	7.3	--	--	--
<i>SIP 2015 Policy</i>		8.7	9.9	--	--	--
CalPERS Target 2020 Fund	\$15.3 mil	8.7	7.4	--	--	--
<i>SIP 2020 Policy</i>		9.6	9.8	--	--	--
CalPERS Target 2025 Fund	\$3.8 mil	10.0	7.9	--	--	--
<i>SIP 2025 Policy</i>		10.9	10.0	--	--	--
CalPERS Target 2030 Fund	\$10.0 mil	10.9	8.2	--	--	--
<i>SIP 2030 Policy</i>		11.8	10.2	--	--	--
CalPERS Target 2035 Fund	\$1.3 mil	11.9	8.6	--	--	--
<i>SIP 2035 Policy</i>		12.6	10.5	--	--	--
CalPERS Target 2040 Fund	\$5.4 mil	12.0	8.7	--	--	--
<i>SIP 2040 Policy</i>		12.7	10.5	--	--	--
CalPERS Target 2045 Fund	\$0.3 mil	12.0	8.8	--	--	--
<i>SIP 2045 Policy</i>		12.7	10.5	--	--	--
CalPERS Target 2050 Fund	\$0.3 mil	12.0	8.7	--	--	--
<i>SIP 2050 Policy</i>		12.7	10.5	--	--	--
SSgA STIF	\$204.5 mil	--	--	--	--	--
<i>BofAML 3-month US T-Bill</i>		--	--	--	--	--
PIMCO Short-Term Bond Fund	\$1.0 mil	--	--	--	--	--
<i>ML 6-month T-Bill</i>		--	--	--	--	--
457 Aggregate	\$798.9 mil	6.8	6.9	-2.4	2.3	--
<i>CalPERS Custom 457 Plan Index</i>		6.5	7.3	-2.1	2.7	--



CalPERS 457 Net Custom Funds for the City of Anaheim

Periods Ended September 30, 2010

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
CalPERS Conservative Asset Allocation	0.2 mil	4.7	6.4	--	--	--
<i>SIP Conservative Policy</i>		5.6	9.0	--	--	--
CalPERS Moderate Asset Allocation	0.2 mil	8.6	7.7	--	--	--
<i>SIP Moderate Policy</i>		9.5	9.8	--	--	--
CalPERS Aggressive Asset Allocation	0.1 mil	12.0	9.0	--	--	--
<i>SIP Aggressive Policy</i>		12.7	10.5	--	--	--
CalPERS S&P 500 Equity Index	5.8 mil	11.3	10.1	-7.1	0.7	-0.4
<i>S&P 500</i>		11.3	10.2	-7.2	0.6	-0.4
CalPERS Small/Mid Equity Index	3.1 mil	12.2	15.8	--	--	--
<i>Russell 2500</i>		12.2	15.9	--	--	--
CalPERS Total Return Bond Fund	1.6 mil	2.3	8.3	--	--	--
<i>Barclays Aggregate Bond index</i>		2.5	8.2	--	--	--
CalPERS TIPS Securities	0.5 mil	2.4	8.3	--	--	--
<i>Barclays U.S. TIPS Index</i>		2.5	8.9	--	--	--
CalPERS Target Income	2.1 mil	4.7	6.5	--	--	--
<i>SIP Income Policy</i>		5.6	9.0	--	--	--
CalPERS Target 2005	0.0mil	6.0	6.8	--	--	--
<i>SIP 2005 Policy</i>		7.0	9.4	--	--	--
CalPERS Target 2010	2.4 mil	6.6	6.9	--	--	--
<i>SIP 2010 Policy</i>		7.7	9.5	--	--	--
CalPERS Target 2015	0.1 mil	7.7	7.6	--	--	--
<i>SIP 2015 Policy</i>		8.7	9.9	--	--	--
CalPERS Target 2020	2.1 mil	8.7	7.7	--	--	--
<i>SIP 2020 Policy</i>		9.6	9.8	--	--	--
CalPERS Target 2025	0.1 mil	10.0	8.1	--	--	--
<i>SIP 2025 Policy</i>		10.9	10.0	--	--	--
CalPERS Target 2030	1.1 mil	11.0	8.4	--	--	--
<i>SIP 2030 Policy</i>		11.8	10.2	--	--	--
CalPERS Target 2035	0.0 mil	11.9	8.9	--	--	--
<i>SIP 2035 Policy</i>		12.6	10.5	--	--	--
CalPERS Target 2040	0.3 mil	12.0	9.0	--	--	--
<i>SIP 2040 Policy</i>		12.7	10.5	--	--	--
CalPERS Target 2045	0.0 mil	12.0	9.0	--	--	--
<i>SIP 2045 Policy</i>		12.7	10.5	--	--	--



	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
CalPERS Target 2050	0.0 mil	12.0	--	--	--	--
<i>SIP 2050 Policy</i>		12.7	--	--	--	--
AllianceBernstein Large Cap Value	0.2 mil	8.5	3.3	--	--	--
<i>Russell 1000 Value</i>		10.1	8.9	--	--	--
Turner Large Cap Growth	2.4 mil	10.6	6.5	--	--	--
<i>Russell 1000 Growth</i>		13.0	12.7	--	--	--
SSgA Bond Market Index	1.1 mil	2.4	8.2	7.5	6.2	--
<i>Barclays Aggregate Index</i>		2.5	8.2	7.4	6.2	--
Boston Company SMID Growth	3.2 mil	11.0	11.2	--	--	--
<i>Russell 2500 Growth</i>		13.2	17.3	--	--	--
Boston Company SMID Value	0.3 mil	9.6	11.2	--	--	--
<i>Russell 2500 Value</i>		11.4	14.7	--	--	--
Pyramis Select International	1.3 mil	16.3	4.1	--	--	--
<i>CalPERS FTSE Dev World x-US</i>		16.6	4.2	--	--	--
CalPERS International Index	0.6 mil	16.4	4.5	--	--	--
<i>FTSE Dev. World Index Ex-US</i>		16.6	5.1	--	--	--
SSgA STIF	8.9 mil	--	--	--	--	--
<i>BofAML 3-month US T-Bill</i>		--	--	--	--	--
PIMCO Short-Term Bond Fund	0.0 mil	--	--	--	--	--
<i>ML 6-month T-Bill</i>		--	--	--	--	--
Anaheim Aggregate	37.9 mil	6.6	6.6	-2.4	2.4	--
<i>CalPERS Custom Anaheim Policy</i>		6.4	7.3	-1.4	3.1	--

APPENDIX for PERF



External Manager Performance Review Domestic Equity – Core

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Active External Mainstream Mgrs	1.3	11.5%	9.3%	-9.3%	-0.5%	2.2%	6/98
Domestic External Core							
Piedmont Large Cap Core (MDP II)	0.2	10.7%	8.3%	-8.2%	-.-%	-5.0%	3/07
<i>Custom Benchmark</i>		11.1%	9.9%	-7.4%	-.-%	-4.1%	
<i>Value Added</i>		-0.4%	-1.6%	-0.8%	-.-%	-0.9%	
<i>Performance Objective</i>		11.4%	10.9%	-6.4%	-.-%	-3.1%	
<i>Value Added</i>		-0.7%	-2.6%	-1.8%	-.-%	-1.9%	
Piedmont Strategic Core (MDP II)	0.1	11.9%	11.3%	-.-%	-.-%	21.9%	06/09
<i>Custom Benchmark</i>		11.1%	9.9%	-.-%	-.-%	21.2%	
<i>Value Added</i>		0.8%	1.4%	-.-%	-.-%	0.7%	
<i>Performance Objective</i>		11.4%	10.9%	-.-%	-.-%	22.2%	
<i>Value Added</i>		0.5%	0.4%	-.-%	-.-%	-0.3%	

Domestic Equity – Long/Short

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
External Long/Short	1.1	10.7%	10.7%	-7.0%	-.-%	-6.7%	6/07
First Quadrant Long/Short	0.4	11.1%	12.5%	-.-%	-.-%	-3.1%	3/08
<i>Benchmark</i>		11.4%	10.5%	-.-%	-.-%	-3.3%	
<i>Value Added</i>		-0.3%	2.0%	-.-%	-.-%	0.2%	
<i>Performance Objective</i>		11.9%	12.5%	-.-%	-.-%	-1.3%	
<i>Value Added</i>		-0.8%	0.0%	-.-%	-.-%	-1.8%	
JP Morgan Long/Short	0.6	10.7%	10.7%	-.-%	-.-%	1.0%	3/08
<i>Benchmark</i>		11.1%	9.9%	-.-%	-.-%	-3.8%	
<i>Value Added</i>		-0.4%	0.8%	-.-%	-.-%	4.8%	
<i>Performance Objective</i>		11.9%	12.9%	-.-%	-.-%	-0.8%	
<i>Value Added</i>		-1.2%	-2.2%	-.-%	-.-%	1.8%	



External Manager Performance Review (continued)

Domestic Equity – Growth

Active External Mainstream Mgrs	Market Value 1.3	Qtr 11.5%	1 Year 9.3%	3 Year -9.3%	5 Year -0.5%	Incept. 2.2%	Date 6/98
Domestic External Growth							
Marvin & Palmer Large Cap Growth	0.3	16.1%	13.5%	-10.0%	-.-%	-3.6%	12/06
<i>Custom Benchmark</i>		12.8%	12.4%	-4.6%	-.-%	-0.6%	
<i>Value Added</i>		3.3%	1.1%	-5.4%	-.-%	-3.0%	
<i>Performance Objective</i>		13.2%	13.9%	-3.1%	-.-%	0.9%	
<i>Value Added</i>		2.9%	-0.4%	-6.9%	-.-%	-4.5%	
Redwood Large Growth (MDP II)	0.2	12.7%	10.7%	-.-%	-.-%	-5.3%	3/08
<i>Custom Benchmark</i>		12.8%	12.4%	-.-%	-.-%	-1.0%	
<i>Value Added</i>		-0.1%	-1.7%	-.-%	-.-%	-4.3%	
<i>Performance Objective</i>		13.1%	13.4%	-.-%	-.-%	0.0%	
<i>Value Added</i>		-0.4%	-2.7%	-.-%	-.-%	-5.3%	
Stux (MDP)	0.4	12.1%	10.5%	-6.7%	1.1%	2.6%	3/04
<i>Custom Benchmark</i>		11.4%	10.5%	-7.0%	0.8%	2.6%	
<i>Value Added</i>		0.7%	0.0%	0.3%	0.3%	0.0%	
<i>Performance Objective</i>		11.8%	12.0%	-5.5%	2.3%	4.1%	
<i>Value Added</i>		0.3%	-1.5%	-1.2%	-1.2%	-1.5%	
Turner Large Cap Growth	0.4	10.4%	9.4%	-8.5%	-.-%	-2.5%	12/06
<i>Custom Benchmark</i>		12.8%	12.4%	-4.6%	-.-%	-0.6%	
<i>Value Added</i>		-2.4%	-3.0%	-3.9%	-.-%	-1.9%	
<i>Performance Objective</i>		13.2%	13.9%	-3.1%	-.-%	0.9%	
<i>Value Added</i>		-2.8%	-4.5%	-5.4%	-.-%	-3.4%	



External Manager Performance Review (continued)

Domestic Equity – Value

Active External Mainstream Mgrs	Market Value 1.3	Qtr 11.5%	1 Year 9.3%	3 Year -9.3%	5 Year -0.5%	Incept. 2.2%	Date 6/98
Domestic External Value	0.3						
Pzena		10.6%	9.3%	-9.4%	-1.7%	7.8%	9/00
Custom Benchmark		10.0%	8.7%	-9.6%	-0.9%	5.1%	
Value Added		0.6%	0.6%	0.2%	-0.8%	2.7%	
Performance Objective		10.3%	10.0%	-8.3%	0.4%	6.4%	
Value Added		0.3%	-0.7%	-1.1%	-2.1%	1.4%	



External Manager Performance Review (continued) Domestic Equity – Enhanced

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Domestic Ext. Enhanced	0.9	10.6%	8.5%	-7.5%	-0.1%	2.1%	9/04
Golden Capital	0.3	10.6%	7.9%	-6.8%	-.-%	-3.7%	3/07
<i>Custom Benchmark</i>		11.1%	9.9%	-7.4%	-.-%	-4.1%	
<i>Value Added</i>		-0.5%	-2.0%	0.6%	-.-%	0.4%	
<i>Performance Objective</i>		11.4%	10.9%	-6.4%	-.-%	-3.1%	
<i>Value Added</i>		-0.8%	-3.0%	-0.4%	-.-%	-0.6%	
Smith Breeden	0.2	6.0%	29.0%	-1.3%	3.8%	3.8%	12/04
<i>Custom Benchmark</i>		11.3%	10.2%	-7.2%	0.6%	1.0%	
<i>Value Added</i>		-5.3%	18.8%	5.9%	3.2%	2.8%	
<i>Performance Objective</i>		11.6%	11.2%	-6.2%	1.6%	2.0%	
<i>Value Added</i>		-5.6%	17.8%	4.9%	2.2%	1.8%	
T. Rowe Price	0.6	10.6%	8.5%	-6.5%	-.-%	0.0%	3/06
<i>Custom Benchmark</i>		11.1%	9.9%	-7.4%	-.-%	-0.9%	
<i>Value Added</i>		-0.5%	-1.4%	0.9%	-.-%	0.9%	
<i>Performance Objective</i>		11.4%	11.1%	-6.2%	-.-%	0.3%	
<i>Value Added</i>		-0.8%	-2.6%	-0.3%	-.-%	-0.3%	
WAMCO	0.2	4.8%	21.6%	-3.6%	2.5%	4.1%	3/06
<i>Custom Benchmark</i>		11.3%	10.2%	-7.2%	0.6%	2.5%	
<i>Value Added</i>		-6.5%	11.4%	3.6%	1.9%	1.6%	
<i>Performance Objective</i>		11.6%	11.2%	-6.2%	1.6%	3.5%	
<i>Value Added</i>		-6.8%	10.4%	2.6%	0.9%	0.6%	



External Manager Performance Review (continued)

Domestic Equity – MDP ⁶⁷

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Domestic MDP	0.5	11.9%	10.2%	-8.8%	-0.7%	1.0%	12/00
Total Domestic MDP II	0.8	13.8%	8.4%	-8.7%	-.%	-5.4%	3/07
Piedmont Large Cap Core (MDP II)	0.2	10.7%	8.3%	-8.2%	-.%	-5.0%	3/07
<i>Custom Benchmark</i>		11.1%	9.9%	-7.4%	-.%	-4.1%	
<i>Value Added</i>		-0.4%	-1.6%	-0.8%	-.%	-0.9%	
<i>Performance Objective</i>		11.4%	10.9%	-6.4%	-.%	-3.1%	
<i>Value Added</i>		-0.7%	-2.6%	-1.8%	-.%	-1.9%	
Piedmont Strategic Core (MDP II)	0.1	11.9%	11.3%	-.%	-.%	21.9%	06/09
<i>Custom Benchmark</i>		11.1%	9.9%	-.%	-.%	21.2%	
<i>Value Added</i>		0.8%	1.4%	-.%	-.%	0.7%	
<i>Performance Objective</i>		11.4%	10.9%	-.%	-.%	22.2%	
<i>Value Added</i>		0.5%	0.4%	-.%	-.%	-0.3%	
Quotient Small Core (MDP II)	0.0	12.7%	10.5%	-.%	-.%	-5.3%	3/08
<i>Custom Benchmark</i>		11.3%	13.4%	-.%	-.%	0.8%	
<i>Value Added</i>		1.4%	-2.9%	-.%	-.%	-6.1%	
Quotient Large Core (MDP II)	0.1	8.5%	9.1%	-.%	-.%	-4.0%	3/08
<i>Custom Benchmark</i>		11.4%	10.5%	-.%	-.%	-3.3%	
<i>Value Added</i>		-2.9%	-1.4%	-.%	-.%	-0.7%	
Redwood Large Growth (MDP II)	0.2	12.7%	10.7%	-.%	-.%	-5.3%	3/08
<i>Custom Benchmark</i>		12.8%	12.4%	-.%	-.%	-1.0%	
<i>Value Added</i>		-0.1%	-1.7%	-.%	-.%	-4.3%	
<i>Performance Objective</i>		13.1%	13.4%	-.%	-.%	0.0%	
<i>Value Added</i>		-0.4%	-2.7%	-.%	-.%	-5.3%	
Stux (MDP)	0.4	12.1%	10.5%	-6.7%	1.1%	2.6%	3/04
<i>Custom Benchmark</i>		11.4%	10.5%	-7.0%	0.8%	2.6%	
<i>Value Added</i>		0.7%	0.0%	0.3%	0.3%	0.0%	
<i>Performance Objective</i>		11.8%	12.0%	-5.5%	2.3%	4.1%	
<i>Value Added</i>		0.3%	-1.5%	-1.2%	-1.2%	-1.5%	

⁶⁷ The MDP managers are listed by style elsewhere in this appendix.



External Manager Performance Review (continued)

Domestic Equity – FOF

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
FIS Fund of Funds	0.3	13.8%	13.7%	-.%	-.%	-1.1%	3/08
Ah Lisanti Small Cap Growth	0.0	14.2%	18.7%	-.%	-.%	-0.4%	3/08
<i>Custom Benchmark</i>		12.8%	14.8%	-.%	-.%	1.8%	
<i>Value Added</i>		1.4%	3.9%	-.%	-.%	-2.2%	
Herndon Large Growth	0.0	15.3%	14.7%	-.%	-.%	5.3%	9/08
<i>Custom Benchmark</i>		12.8%	12.4%	-.%	-.%	5.0%	
<i>Value Added</i>		2.5%	2.3%	-.%	-.%	0.3%	
Herndon Large Value	0.0	13.0%	10.5%	-.%	-.%	2.1%	3/08
<i>Custom Benchmark</i>		10.0%	8.7%	-.%	-.%	-5.8%	
<i>Value Added</i>		3.0%	1.8%	-.%	-.%	7.9%	
Ativo International	0.0	14.9%	18.6%	-.%	-.%	11.5%	9/08
<i>Custom Benchmark</i>		16.1%	6.6%	-.%	-.%	6.5%	
<i>Value Added</i>		-1.2%	12.0%	-.%	-.%	5.0%	
Bedlam International	0.0	15.7%	7.4%	-.%	-.%	3.4%	9/08
<i>Custom Benchmark</i>		16.1%	6.6%	-.%	-.%	6.5%	
<i>Value Added</i>		-0.4%	0.8%	-.%	-.%	-3.1%	
Hexavest EAFE Value	0.0	14.4%	0.8%	-.%	-.%	0.8%	9/09
<i>Custom Benchmark</i>		16.1%	3.1%	-.%	-.%	3.1%	
<i>Value Added</i>		-1.7%	-2.3%	-.%	-.%	-2.3%	
Lombardia Small Value	0.0	7.8%	12.2%	-.%	-.%	2.9%	9/08
<i>Custom Benchmark</i>		9.7%	11.9%	-.%	-.%	-1.2%	
<i>Value Added</i>		-1.9%	0.3%	-.%	-.%	4.1%	
Moody Aldrich All Cap Value	0.0	12.2%	12.4%	-.%	-.%	-6.7%	3/08
<i>Custom Benchmark</i>		10.0%	9.0%	-.%	-.%	-5.4%	
<i>Value Added</i>		2.2%	3.4%	-.%	-.%	-1.3%	
Mastrapasqua Large Growth	0.0	14.4%	15.5%	-.%	-.%	-0.3%	3/08
<i>Custom Benchmark</i>		12.8%	12.4%	-.%	-.%	-1.0%	
<i>Value Added</i>		1.6%	3.1%	-.%	-.%	0.7%	
Oakbrook Mid Cap Core	0.0	13.0%	16.5%	-.%	-.%	0.5%	3/08
<i>Custom Benchmark</i>		13.3%	17.6%	-.%	-.%	0.4%	
<i>Value Added</i>		-0.3%	-1.1%	-.%	-.%	0.1%	
Oakbrook Large Value	0.0	10.4%	8.8%	-.%	-.%	-1.4%	9/08
<i>Custom Benchmark</i>		10.0%	8.7%	-.%	-.%	-1.5%	
<i>Value Added</i>		0.4%	0.1%	-.%	-.%	0.1%	
Paradigm Alpha Max Large Value	0.0	10.6%	11.2%	-.%	-.%	-7.5%	3/08
<i>Custom Benchmark</i>		10.0%	8.7%	-.%	-.%	-5.8%	
<i>Value Added</i>		0.6%	2.5%	-.%	-.%	-1.7%	
Victoria Emerging Markets	0.0	21.3%	28.0%	-.%	-.%	28.0%	9/09
<i>Custom Benchmark</i>		18.0%	20.2%	-.%	-.%	20.2%	
<i>Value Added</i>		3.3%	7.8%	-.%	-.%	7.8%	
DSM Large Growth	0.0	16.9%	15.7%	-.%	-.%	-2.5%	3/08
<i>Custom Benchmark</i>		12.8%	12.4%	-.%	-.%	-1.0%	
<i>Value Added</i>		4.1%	3.3%	-.%	-.%	-1.5%	



External Manager Performance Review (continued)

Domestic Equity – FOF *

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Leading Edge Fund of Funds	0.3	14.0%	15.0%	-.-%	-.-%	2.0%	3/08
Credo Mid Growth	0.0	12.5%	15.5%	-.-%	-.-%	-3.2%	3/08
<i>Custom Benchmark</i>		14.7%	18.3%	-.-%	-.-%	0.6%	
<i>Value Added</i>		-2.2%	-2.8%	-.-%	-.-%	-3.8%	
Logan Large Growth	0.0	18.5%	21.8%	-.-%	-.-%	-0.9%	3/08
<i>Custom Benchmark</i>		12.8%	12.4%	-.-%	-.-%	-1.0%	
<i>Value Added</i>		5.7%	9.4%	-.-%	-.-%	0.1%	
Markston Large Core	0.0	10.6%	10.1%	-.-%	-.-%	0.4%	3/08
<i>Custom Benchmark</i>		11.1%	9.9%	-.-%	-.-%	-3.8%	
<i>Value Added</i>		-0.5%	0.2%	-.-%	-.-%	4.2%	
Mindshare Small Growth	0.0	6.5%	12.6%	-.-%	-.-%	1.7%	3/08
<i>Custom Benchmark</i>		12.8%	14.8%	-.-%	-.-%	1.8%	
<i>Value Added</i>		-6.3%	-2.2%	-.-%	-.-%	-0.1%	
Redwood Large Growth-LEIA	0.0	12.5%	10.4%	-.-%	-.-%	-5.7%	3/08
<i>Custom Benchmark</i>		12.8%	12.4%	-.-%	-.-%	-1.0%	
<i>Value Added</i>		-0.3%	-2.0%	-.-%	-.-%	-4.7%	
TIS Small Cap	0.0	11.7%	-4.5%	-.-%	-.-%	-8.1%	9/08
<i>Custom Benchmark</i>		11.3%	13.4%	-.-%	-.-%	1.2%	
<i>Value Added</i>		0.4%	-17.9%	-.-%	-.-%	-9.3%	
Cupps Small Growth	0.0	12.2%	14.2%	-.-%	-.-%	5.0%	3/08
<i>Custom Benchmark</i>		12.8%	14.8%	-.-%	-.-%	1.8%	
<i>Value Added</i>		-0.6%	-0.6%	-.-%	-.-%	3.2%	
Phocas Small Value	0.0	11.3%	15.7%	-.-%	-.-%	4.9%	3/08
<i>Custom Benchmark</i>		9.7%	11.9%	-.-%	-.-%	-0.4%	
<i>Value Added</i>		1.6%	3.8%	-.-%	-.-%	5.3%	
Westwood*	0.1	22.0%	27.6%	-.-%	-.-%	56.1%	12/08
<i>Custom Benchmark</i>		18.2%	21.4%	-.-%	-.-%	50.1%	
<i>Value Added</i>		3.8%	6.2%	-.-%	-.-%	6.0%	

* Westwood is an emerging



External Manager Performance Review (continued)

Domestic Equity – Corporate Governance

	Market Value	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept</u>	<u>Date</u>
Total Domestic Corporate Governance	2.4	11.5%	12.6%	-5.4%	-0.2%	12.5%	12/98
Blum Strategic Partners III	0.1	4.4%	9.0%	-3.1%	1.8%	1.8%	9/05
<i>Custom Benchmark</i>		1.9%	8.0%	8.0%	8.0%	8.0%	
<i>Value Added</i>		2.5%	1.0%	-11.1%	-6.2%	-6.2%	
Blum Strategic Partners II	0.0	26.6%	37.2%	-9.8%	-.%	-9.9%	6/07
<i>Custom Benchmark</i>		1.9%	8.0%	8.0%	-.%	8.0%	
<i>Value Added</i>		24.7%	29.2%	-17.8%	-.%	-17.9%	
Blum Strategic Partners IV	0.2	4.2%	-1.4%	-.%	-.%	-12.6%	12/07
<i>Custom Benchmark</i>		1.9%	8.0%	-.%	-.%	8.0%	
<i>Value Added</i>		2.3%	-9.4%	-.%	-.%	-20.6%	
Breeden Partners	0.4	3.7%	-4.0%	-11.3%	-.%	-5.5%	6/06
<i>Custom Benchmark</i>		11.3%	10.2%	-7.2%	-.%	-0.4%	
<i>Value Added</i>		-7.6%	-14.2%	-4.1%	-.%	-5.1%	
New Mountain Capital	0.2	9.9%	20.8%	2.9%	-.%	3.8%	12/05
<i>Custom Benchmark</i>		11.3%	10.2%	-7.2%	-.%	0.2%	
<i>Value Added</i>		-1.4%	10.6%	10.1%	-.%	3.6%	
Internal New Mountain Capital	0.1	13.0%	17.4%	4.7%	-.%	9.2%	12/06
<i>Custom Benchmark</i>		11.3%	10.2%	-7.2%	-.%	-3.6%	
<i>Value Added</i>		1.7%	7.2%	11.9%	-.%	12.8%	
Relational Investors	1.1	16.1%	15.5%	-10.9%	-4.2%	10.4%	12/98
<i>Custom Benchmark</i>		11.3%	10.2%	-7.2%	0.6%	1.1%	
<i>Value Added</i>		4.8%	5.3%	-3.7%	-4.8%	9.3%	
Relational Midcap	0.3	15.1%	22.5%	-.%	-.%	19.4%	9/08
<i>Custom Benchmark</i>		13.1%	17.8%	-.%	-.%	6.8%	
<i>Value Added</i>		2.0%	4.7%	-.%	-.%	12.6%	
Internal Relational	0.1	13.8%	23.3%	6.4%	9.2%	16.9%	12/02
<i>Custom Benchmark</i>		11.3%	10.2%	-7.2%	0.6%	5.5%	
<i>Value Added</i>		2.5%	13.1%	13.6%	8.6%	11.4%	



External Manager Performance Review (continued) RM ARS Program

	Market Value	Qtr	1 Year	3 Year	5 Year
Total RM ARS Program	5.4	2.6%	6.3%	-1.0%	3.7%
<i>Policy Index</i>		1.5%	5.9%	7.7%	8.6%
Total Fund to Funds	1.5	1.2%	1.2%	-1.4%	-.-%
47 Degrees North Capital Fund of Emerging Funds	0.2	1.7%	2.0%	-1.6%	-.-%
Ermitage European Fund of Funds	0.1	1.7%	-0.5%	-0.1%	-.-%
Europanel European Fund of Funds	0.3	2.0%	2.1%	2.9%	-.-%
PAAMCO Asian Fund of Funds	0.2	-3.5%	-3.6%	-5.6%	-.-%
PAAMCO Fund of Emerging Funds	0.1	1.7%	6.6%	-.-%	-.-%
Rock Creek fund of Emerging Funds	0.2	3.3%	6.9%	-.-%	-.-%
UBS European Fund of Funds	0.1	1.8%	0.1%	-5.1%	-.-%
Vision Asian Fund of Funds	0.3	1.6%	-1.1%	-1.8%	-.-%
RM ARS Direct Investments	3.9	3.1%	8.2%	-0.5%	4.3%
CalPERS Hedge Fund-UBS	3.8	3.1%	8.6%	0.0%	4.4%
CalPERS Hedge Fund Partners	0.1	4.4%	4.5%	-4.8%	2.6%



External Manager Performance Review (continued) RM ARS Program* (Continued)

	Market Value	Qtr	1 Year	3 Year	5 Year
Total RM ARS Program	5.4	2.6%	6.3%	-1.0%	3.7%
<i>Policy Index</i>		1.5%	5.9%	7.7%	8.6%
RM ARS Direct Investments	3.9	3.1%	8.2%	-0.5%	4.3%
CalPERS Hedge Fund-UBS	3.8	3.1%	8.6%	0.0%	3.1%
CalPERS Hedge Fund Partners	0.1	4.4%	4.5%	-4.8%	1.0%
Convertible Arbitrage*	261.5 mil	3.2%	13.7%	14.1%	10.6%
Symphony Eureka Fund L.P.	261.5 mil	3.2%	-.%	-.%	-.%
Domestic Equity Long/Short*	299.6 mil	5.1%	6.3%	1.2%	6.8%
Brookside Capital Partners Fund, L.P.	42.7 mil	7.6%	7.7%	1.2%	7.7%
PFM Diversified Eureka Fund, LP	218.3 mil	4.8%	-.%	-.%	-.%
Tremblant Partners, L.P.	38.6 mil	4.5%	3.4%	-6.2%	0.6%
International Equity Long/Short*	242.5 mil	2.9%	2.8%	-8.5%	-0.2%
Lansdowne European Equity Fund	242.5 mil	2.9%	2.4%	1.4%	5.6%
Multi-Strategy*	737.9 mil	2.2%	7.0%	-2.8%	3.1%
Canyon Value Realization Fund L.P.	31.7 mil	2.7%	9.7%	1.1%	4.6%
Deephaven	19.9 mil	8.2%	11.0%	-8.6%	0.0%
Farallon	5.5 mil	14.0%	56.0%	5.7%	9.6%
OZ Domestic Partners II, L.P.	68.9 mil	2.8%	7.4%	4.6%	-.%
Tennenbaum Multi-Strategy SPV (Cayman) Ltd	12.0 mil	1.7%	-.%	-.%	-.%
SuttonBrook Eureka Fund LP	152.6 mil	0.6%	-.%	-.%	-.%
OZ Eureka Fund, LP	447.3 mil	-.%	-.%	-.%	-.%
Commodities*	743.4 mil	6.0%	6.2%	7.2%	-.%
Aspect Alternative Fund LLC	258.4 mil	6.3%	8.9%	10.3%	-.%
Black River CMSF	24.1 mil	-1.0%	-3.1%	-0.4%	-.%
Black River CTF (Onshore)	197.5 mil	8.0%	3.2%	-.%	-.%
BlueTrend Fund LP	263.4 mil	4.9%	9.7%	-.%	-.%
Credit-Driven*	761.4 mil	3.2%	15.2%	7.7%	8.0%
Canyon Special Opportunities Fund, LP	133.6 mil	4.2%	15.0%	-4.0%	-.%
Chatham Asset High Yield Offshore	154.8 mil	3.3%	15.6%	11.9%	10.8%
Chatham Asset Part. Spec. Situation Offshore	149.7 mil	1.7%	13.1%	9.4%	-.%
Chatham Eureka Fund LP	323.4 mil	3.4%	-.%	-.%	-.%
Fixed Income Arbitrage*	353.2 mil	2.5%	8.1%	2.8%	6.2%
Black River FIRV	353.2 mil	22.5%	8.1%	13.9%	12.8%
Market Neutral*	257.0 mil	-0.1%	0.3%	-1.4%	-.%
O'Connor Global Market Neutral	47.5 mil	1.6%	0.7%	-.%	-.%
O'Connor Global Quantitative Equity LLC	109.7 mil	-0.1%	0.9%	-2.6%	-.%
OMG Eureka LP	99.8 mil	-.%	-.%	-.%	-.%

* The numbers presented above were provided by CalPERS and are updated whenever an underlying manager provides additional information. The RM ARS numbers on the previous page were provided by State Street and are based on the second business day.



External Manager Performance Review (continued) RM ARS Program* (Continued)

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Total RM ARS Program	5.4	2.6%	6.3%	-1.0%	3.7%
<i>Policy Index</i>		1.5%	5.9%	7.7%	8.6%
Statistical Arbitrage*	125.9 mil	-0.9%	-7.2%	-0.8%	-0.2%
The Marquee Fund, LP	125.9 mil	-0.9%	-7.2%	-.-%	-.-%
Distressed*	114.4 mil	7.2%	37.7%	2.5%	4.5%
Wayzata Recovery Fund LLC	114.4 mil	7.2%	37.7%	2.5%	4.5%
Asian Fund of Funds*	469.4 mil	2.6%	-2.0%	-3.2%	-.-%
Vision Blue Diamond Fund, L.P.	266.8 mil	3.0%	-0.6%	-1.9%	-.-%
PAAMCO - Blue Diamond Separate Investment	202.6 mil	2.0%	-3.7%	-.-%	-.-%
European Fund of Funds*	495.2 mil	2.4%	1.0%	-0.6%	-.-%
Ermitage Highbury Fund, LP	132.4 mil	1.8%	-0.7%	-0.2%	-.-%
AIS Highbury Fund, LP	104.4 mil	3.1%	0.6%	-4.3%	-.-%
ERAAM Highbury Fund, LP	258.4 mil	2.4%	2.2%	2.9%	-.-%
Fund of Emerging Hedge Funds*	547.7 mil	2.7%	5.2%	-0.2%	-.-%
47 Degrees North	194.1 mil	2.4%	2.3%	-1.7%	-.-%
Rock Creek 1848 Fund, LP	201.2 mil	3.4%	6.9%	-.-%	-.-%
PAAMCO 1848 Fund, LP	143.4 mil	2.1%	6.4%	-.-%	-.-%

* The numbers presented above were provided by CalPERS and are updated whenever an underlying manager provides additional information. The RM ARS numbers on the previous page were provided by State Street and are based on the second business day.



Domestic Equity – Environmental

	Market Value	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Domestic Environmental	0.1	11.0%	9.8%	-7.7%	-0.5%	0.4%	3/05
New Amsterdam Partners	0.1	12.7%	10.9%	-5.4%	-.%	-0.8%	3/06
Custom Benchmark		11.4%	10.5%	-7.0%	-.%	-0.7%	
Value Added		1.3%	0.4%	1.6%	-.%	-0.1%	
Performance Objective		11.8%	12.0%	-5.5%	-.%	0.8%	
Value Added		0.9%	-1.1%	0.1%	-.%	-1.6%	
SSgA Environmental	0.1	9.2%	6.8%	-9.1%	-.%	-2.4%	6/06
Custom Benchmark		11.1%	9.9%	-7.4%	-.%	-0.6%	
Value Added		-1.9%	-3.1%	-1.7%	-.%	-1.8%	



External Manager Performance Review (continued)
International Equity – Core ACWI

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Int'l Active Mainstream	5.2	17.5%	9.9%	-8.2%	3.9%	6.2%	6/89
Int'l External Core							
Arrowstreet (Mainstream)	2.4	17.6%	13.7%	-0.3%	9.3%	16.9%	3/03
Custom Benchmark		16.9%	8.0%	-6.7%	4.8%	13.6%	
Value Added		0.7%	5.7%	6.4%	4.5%	3.3%	
Performance Objective		17.4%	10.0%	-4.7%	6.8%	15.6%	
Value Added		0.2%	3.7%	4.4%	2.5%	1.3%	



External Manager Performance Review (continued)

International Equity – Core Europe

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Int'l Active Mainstream	5.2	17.5%	9.9%	-8.2%	3.9%	6.2%	6/89
Int'l External Core Europe							
Sourcecap Intl (MDP II)	0.2	20.9%	5.1%	-.-%	-.-%	18.6%	12/08
Custom Benchmark		19.4%	3.4%	-.-%	-.-%	20.6%	
Value Added		1.5%	1.7%	-.-%	-.-%	-2.0%	
Performance Objective		19.7%	4.4%	-.-%	-.-%	21.6%	
Value Added		1.3%	0.7%	-.-%	-.-%	-3.0%	

International Equity – Environmental

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Int'l Environmental	0.2	15.7%	6.1%	-8.7%	-.-%	0.4%	3/06
Int'l Environmental							
Global Currents	0.1	14.0%	2.3%	-9.1%	-.-%	-1.0%	6/06
Custom Benchmark		16.5%	4.9%	-8.3%	-.-%	0.4%	
Value Added		-2.5%	-2.6%	-0.8%	-.-%	-1.4%	
Performance Objective		17.0%	6.9%	-6.3%	-.-%	2.4%	
Value Added		-3.0%	-4.6%	-2.8%	-.-%	-3.4%	
SSgA Environmental	0.1	16.8%	8.7%	-8.4%	-.-%	1.4%	3/06
Custom Benchmark		16.5%	4.9%	-8.3%	-.-%	0.6%	
Value Added		0.3%	3.8%	-0.1%	-.-%	0.8%	
Performance Objective		17.0%	6.9%	-6.3%	-.-%	2.6%	
Value Added		-0.2%	1.8%	-2.1%	-.-%	-1.2%	

International Equity – MDP⁶⁸

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Int'l MDP	0.1	14.6%	8.7%	-5.1%	4.8%	2.7%	6/00
Pyrford (MDP)	0.1	14.6%	8.7%	-4.9%	3.8%	6.8%	12/01
Custom Benchmark		16.5%	4.9%	-8.3%	3.2%	7.3%	
Value Added		-1.9%	3.8%	3.4%	0.6%	-0.5%	
Performance Objective		17.0%	6.9%	-6.3%	5.2%	9.3%	
Value Added		-2.4%	1.8%	1.4%	-1.4%	-2.5%	

⁶⁸ The MDP managers are also listed by style elsewhere in this appendix.



External Manager Performance Review (continued)

International Equity – Growth & Value

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Int'l Active Mainstream	5.2	17.5%	9.9%	-8.2%	3.9%	6.2%	6/89
Int'l External Growth							
Baillie Gifford	1.0	18.4%	14.4%	-4.5%	7.6%	8.9%	6/01
Custom Benchmark		16.9%	8.0%	-6.7%	4.8%	7.1%	
Value Added		1.5%	6.4%	2.2%	2.8%	1.8%	
Performance Objective		17.4%	10.0%	-4.7%	6.8%	9.1%	
Value Added		1.0%	4.4%	0.2%	0.8%	-0.2%	
Int'l External Value ACWI							
Grantham, Mayo, Van Otterloo	0.7	17.9%	8.7%	-7.0%	4.1%	8.4%	6/01
Custom Benchmark		16.9%	8.0%	-6.7%	4.8%	7.1%	
Value Added		1.0%	0.7%	-0.3%	-0.7%	1.3%	
Performance Objective		17.5%	10.5%	-4.2%	7.3%	9.6%	
Value Added		0.4%	-1.8%	-2.8%	-3.2%	-1.2%	
Pyramis Global	0.8	16.5%	5.9%	-.%	-.%	-6.9%	6/08
Custom Benchmark		16.5%	4.9%	-.%	-.%	-6.0%	
Value Added		0.0%	1.0%	-.%	-.%	-0.9%	
Performance Objective		17.0%	6.9%	-.%	-.%	-4.0%	
Value Added		-0.5%	-1.0%	-.%	-.%	-2.9%	
Pyrford (MDP)	0.1	14.6%	8.7%	-4.9%	3.8%	6.8%	12/01
Custom Benchmark		16.5%	4.9%	-8.3%	3.2%	7.3%	
Value Added		-1.9%	3.8%	3.4%	0.6%	-0.5%	
Performance Objective		17.0%	6.9%	-6.3%	5.2%	9.3%	
Value Added		-2.4%	1.8%	1.4%	-1.4%	-2.5%	
Int'l External Value Pacific							
Nomura	0.5	15.2%	14.0%	-4.8%	5.3%	4.6%	9/89
Custom Benchmark		13.6%	11.1%	-4.9%	4.8%	1.2%	
Value Added		1.6%	2.9%	0.1%	0.5%	3.4%	
Performance Objective		14.1%	13.1%	-2.9%	6.8%	3.2%	
Value Added		1.1%	0.9%	-1.9%	-1.5%	1.4%	



International Equity – Emerging Markets

Int'l Emerging Markets	Market Value 4.9	Qtr 20.3%	1 Year 26.8%	3 Year 1.4%	5 Year 12.9%	Incept. 23.4%	Date 9/02
AllianceBernstein	0.9	20.4%	20.9%	-2.2%	10.3%	23.6%	9/02
Custom Benchmark		18.2%	21.4%	-0.2%	12.9%	21.8%	
Value Added		2.2%	-0.5%	-2.0%	-2.6%	1.8%	
Performance Objective		18.8%	23.9%	2.3%	15.4%	24.3%	
Value Added		1.6%	-3.0%	-4.5%	-5.1%	-0.7%	
Batterymarch	0.9	19.7%	26.7%	-1.9%	-.-%	2.0%	6/07
Custom Benchmark		18.2%	21.4%	-0.2%	-.-%	3.0%	
Value Added		1.5%	5.3%	-1.7%	-.-%	-1.0%	
Performance Objective		18.7%	23.4%	1.8%	-.-%	5.0%	
Value Added		1.0%	3.3%	-3.7%	-.-%	-3.0%	
DFA	0.7	19.8%	26.7%	3.2%	14.9%	24.5%	9/02
Custom Benchmark		18.2%	21.4%	-0.2%	12.9%	21.8%	
Value Added		1.6%	5.3%	3.4%	2.0%	2.7%	
Performance Objective		18.7%	23.4%	1.8%	14.9%	23.8%	
Value Added		1.1%	3.3%	1.4%	0.0%	0.7%	
Genesis	1.1	19.8%	33.4%	7.6%	15.8%	23.5%	9/02
Custom Benchmark		18.2%	21.4%	-0.2%	12.9%	21.8%	
Value Added		1.6%	12.0%	7.8%	2.9%	1.7%	
Performance Objective		18.8%	23.9%	2.3%	15.4%	24.3%	
Value Added		1.0%	9.5%	5.3%	0.4%	-0.8%	
Lazard	0.8	22.1%	28.7%	4.2%	-.-%	4.2%	9/07
Custom Benchmark		18.2%	21.4%	-0.2%	-.-%	-0.2%	
Value Added		3.9%	7.3%	4.4%	-.-%	4.4%	
Performance Objective		18.7%	23.4%	1.8%	-.-%	1.8%	
Value Added		3.4%	5.3%	2.4%	-.-%	2.4%	
Pictet	0.5	20.4%	21.0%	-2.0%	-.-%	1.9%	6/07
Custom Benchmark		18.2%	21.4%	-0.2%	-.-%	3.0%	
Value Added		2.2%	-0.4%	-1.8%	-.-%	-1.1%	
Performance Objective		18.7%	23.4%	1.8%	-.-%	5.0%	
Value Added		1.7%	-2.4%	-3.8%	-.-%	-3.1%	



External Manager Performance Review (continued)
International Equity – Corporate Governance

	Market Value	Qtr	1 Year	3 Year	5 Year	Date
Total Int'l Corporate Governance	2.1	8.2%	1.4%	-12.2%	-1.1%	12/98
Caritca	0.2	20.9%	-.-%	-.-%	-.-%	12/09
<i>Custom Benchmark</i>		18.1%	-.-%	-.-%	-.-%	
<i>Value Added</i>		2.8%	-.-%	-.-%	-.-%	
Governance for Owners	0.2	17.8%	21.6%	-12.7%	-.-%	12/06
<i>Custom Benchmark</i>		19.4%	3.4%	-9.7%	-.-%	
<i>Value Added</i>		-1.6%	18.2%	-3.0%	-.-%	
Internal Governance for Owners	0.1	24.5%	4.4%	-15.8%	-.-%	9/07
<i>Custom Benchmark</i>		19.4%	3.4%	-9.7%	-.-%	
<i>Value Added</i>		5.1%	1.0%	-6.1%	-.-%	
Breeden Partners- European	0.2	-18.4%	-34.9%	-.-%	-.-%	03/09
<i>Custom Benchmark</i>		19.4%	3.2%	-.-%	-.-%	
<i>Value Added</i>		-37.8%	-38.1%	-.-%	-.-%	
Knight Vinke	0.2	30.6%	0.2%	-9.2%	5.9%	12/03
<i>Custom Benchmark</i>		19.4%	3.4%	-9.7%	3.3%	
<i>Value Added</i>		11.2%	-3.2%	0.5%	2.6%	
Knight Vinke Internal Partners	0.1	21.1%	-7.4%	-10.9%	-.-%	3/06
<i>Custom Benchmark</i>		19.4%	3.4%	-9.7%	-.-%	
<i>Value Added</i>		1.7%	-10.8%	-1.2%	-.-%	
Lazard Korea Corp Gov Fund	0.1	18.1%	20.7%	-.-%	-.-%	6/08
<i>Custom Benchmark</i>		18.6%	15.9%	-.-%	-.-%	
<i>Value Added</i>		-0.5%	4.8%	-.-%	-.-%	
Taiyo Fund	0.6	1.3%	-0.9%	-8.3%	0.8%	9/03
<i>Custom Benchmark</i>		-1.4%	-8.8%	-19.9%	-10.1%	
<i>Value Added</i>		2.7%	7.9%	11.6%	10.9%	
Taiyo Cypress	0.2	2.6%	3.7%	-.-%	-.-%	6/08
<i>Custom Benchmark</i>		-1.4%	-8.8%	-.-%	-.-%	
<i>Value Added</i>		4.0%	12.5%	-.-%	-.-%	
Taiyo Pearl Fund	0.2	6.8%	5.1%	-.-%	-.-%	12/07
<i>Custom Benchmark</i>		0.0%	0.0%	-.-%	-.-%	
<i>Value Added</i>		6.8%	5.1%	-.-%	-.-%	



External Manager Performance Review (continued)

Fixed Income – High Yield

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Fixed Income	48.3	5.0%	15.5%	9.9%	8.0%	8.9%	6/88
<i>Fixed Income Policy Index</i>		4.6%	11.2%	9.3%	7.2%	8.2%	
External High Yield*	1.6	6.1%	18.4%	-1.6%	3.4%	6.9%	3/02
Highland A & B	0.5	5.6%	20.6%	-.-%	-.-%	23.6%	12/08
<i>Custom Benchmark</i>		6.1%	17.1%	-.-%	-.-%	36.6%	
<i>Value Added</i>		-0.5%	3.5%	-.-%	-.-%	-13.0%	
Highland A	0.4	5.1%	20.1%	-.-%	-.-%	0.8%	12/07
<i>Custom Benchmark</i>		6.1%	17.1%	-.-%	-.-%	9.1%	
<i>Value Added</i>		-1.0%	3.0%	-.-%	-.-%	-8.3%	
Highland B	0.1	7.1%	22.4%	-.-%	-.-%	-5.9%	12/07
<i>Custom Benchmark</i>		6.1%	17.1%	-.-%	-.-%	9.1%	
<i>Value Added</i>		1.0%	5.3%	-.-%	-.-%	-15.0%	
Artio Global High Yield	0.1	5.0%	-.-%	-.-%	-.-%	4.1%	3/10
<i>Custom Benchmark</i>		5.9%	-.-%	-.-%	-.-%	5.5%	
<i>Value Added</i>		-0.9%	-.-%	-.-%	-.-%	-1.4%	
Columbia High Yield	0.2	6.5%	14.8%	-.-%	-.-%	14.8%	9/09
<i>Custom Benchmark</i>		5.9%	18.3%	-.-%	-.-%	18.3%	
<i>Value Added</i>		0.6%	-3.5%	-.-%	-.-%	-3.5%	
Columbia LL	0.0	3.7%	-.-%	-.-%	-.-%	6.4%	12/09
<i>Custom Benchmark</i>		3.1%	-.-%	-.-%	-.-%	6.5%	
<i>Value Added</i>		0.6%	-.-%	-.-%	-.-%	-0.1%	
JP Morgan High Yield	0.2	6.1%	-.-%	-.-%	-.-%	13.8%	12/09
<i>Custom Benchmark</i>		5.9%	-.-%	-.-%	-.-%	10.2%	
<i>Value Added</i>		0.2%	-.-%	-.-%	-.-%	3.6%	
Logan Circle High Yield	0.3	5.9%	-.-%	-.-%	-.-%	10.0%	12/09
<i>Custom Benchmark</i>		5.9%	-.-%	-.-%	-.-%	10.2%	
<i>Value Added</i>		0.0%	-.-%	-.-%	-.-%	-0.2%	
Nomura	0.5	6.9%	22.7%	9.4%	8.7%	9.7%	3/02
<i>Custom Benchmark</i>		6.1%	17.1%	8.0%	7.7%	8.8%	
<i>Value Added</i>		0.8%	5.6%	1.4%	1.0%	0.9%	
PIMCO	0.1	7.0%	17.2%	6.4%	7.0%	8.5%	3/02
<i>Custom Benchmark</i>		6.1%	17.1%	8.0%	7.7%	8.8%	
<i>Value Added</i>		0.9%	0.1%	-1.6%	-0.7%	-0.3%	

* Portfolio was unitized and is included in multiple plans.



External Manager Performance Review (continued)

Fixed Income – MDP⁶⁹

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
LM Capital	0.3	3.1%	8.7%	8.4%	6.9%	6.9%	3/02
Custom Benchmark		2.4%	7.8%	7.7%	6.4%	6.2%	
Value Added		0.7%	0.9%	0.7%	0.5%	0.7%	
Performance Objective		2.7%	8.8%	8.7%	7.4%	7.2%	
Value Added		0.5%	-0.1%	-0.3%	-0.5%	-0.3%	

External Manager Performance Review (continued)

Fixed Income – External International

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Fixed Income	48.3	5.0%	15.5%	9.9%	8.0%	8.9%	6/88
Fixed Income Policy Index		4.6%	11.2%	9.3%	7.2%	8.2%	
International Fixed Income	3.4	11.0%	8.8%	9.9%	8.0%	8.5%	
Alliance Bernstein	0.7	11.4%	9.9%	8.9%	-.%	9.5%	3/07
Custom Benchmark		10.4%	5.2%	8.3%	-.%	8.9%	
Value Added		1.0%	4.7%	0.6%	-.%	0.6%	
Performance Objective		10.8%	6.7%	9.8%	-.%	10.4%	
Value Added		0.6%	3.2%	-0.9%	-.%	-0.9%	
Baring	0.6	10.5%	6.8%	9.2%	7.4%	8.9%	9/89
Custom Benchmark		10.4%	5.2%	8.3%	7.3%	7.6%	
Value Added		0.1%	1.6%	0.9%	0.1%	1.3%	
Performance Objective		10.8%	6.7%	9.8%	8.8%	9.1%	
Value Added		-0.3%	0.1%	-0.6%	-1.4%	-0.2%	
PIMCO	1.1	11.0%	10.5%	10.6%	-.%	10.8%	3/07
Custom Benchmark		10.4%	5.2%	8.3%	-.%	8.9%	
Value Added		0.6%	5.3%	2.3%	-.%	1.9%	
Performance Objective		10.8%	6.7%	9.8%	-.%	10.4%	
Value Added		0.2%	3.8%	0.8%	-.%	0.4%	
Rogge	0.9	11.2%	7.2%	9.3%	7.8%	8.4%	9/00
Custom Benchmark		10.4%	5.2%	8.3%	7.3%	8.0%	
Value Added		0.8%	2.0%	1.0%	0.5%	0.4%	
Performance Objective		10.8%	6.7%	9.8%	8.8%	9.5%	
Value Added		0.4%	0.5%	-0.5%	-1.0%	-1.1%	

⁶⁹ The Fixed Income-MDP Program is managed by the global equity managers.

External Manager Performance Review (continued)
Fixed Income - Special Investments

Special Investments	Market Value 0.8	Qtr 2.0%	1 Year 9.9%	3 Year 8.3%	5 Year 7.1%	Incept. 7.2%	Date 3/91
Equitable CCMF	0.0	2.1%	6.6%	7.2%	8.2%	8.5%	12/95
MHLP-BRS	0.5	2.5%	11.3%	8.4%	7.2%	7.0%	3/02
U.L.L.I. Co.	0.0	2.4%	3.2%	10.6%	12.1%	9.7%	6/95

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Relational Investors

Third Quarter 2010

Investment Type: U.S. Corporate Governance Fund

Inception Date: March 1996

Capital Commitment: \$1 billion

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 41.1 million	\$3,956.1 million
Distributed Capital:	\$ 22.4 million	\$3,508.6 million

Market Value (9/30/10): \$ 1,068.3 million

Investment Strategy:

Relational Investors employs a corporate governance strategy aimed at unlocking intrinsic value in underperforming, publicly traded, U.S. companies. When compared to the broader market and industry peers, these companies typically exhibit inferior performance in one or more of the following areas: operations, financial structure, long-term strategy, corporate governance policies or management. Each investment represents a significant percentage of a particular company's outstanding shares, generally 3-10%. Relational Investors then seeks to maximize investment value by initiating contact with the company's management, board of directors and other shareholders to facilitate change.

Summary Analysis:

Number of Investments: 13

Organization:

- Four new Associate Analysts joined Relational (Michael Carlson, Danielle Mahan, Michael McCulloch, Tyler Smith) in August. Chauntelle Zwonitzer also joined in August as a Marketing Associate. J.J. Van Niel, a Senior Analyst, left the firm in October to pursue other opportunities; his responsibilities have been assumed by Todd Leigh and Kirt Karros.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Relational Investors

Third Quarter 2010

Performance Analysis:

Relational's large cap portfolio performance greatly led the S&P 500 Index for the third quarter of 2010. During the quarter, Relational realized sizeable gains with the exit from three positions as each either reached their valuation target or the risk-reward opportunity was not appropriate: Precision Castparts, The Allstate Corporation, and Qualcomm Incorporated. As a result of Relational's efforts, Occidental Petroleum formally announced the new CEO, succession plan, compensation changes to be more in line with peers, and other governance issues. Relational continues to work closely with Baxter on the plasma market and to decrease R&D spending and also making improvements at Intuit with changes in the compensation performance metrics. National Semiconductor continues to focus on record gross margins while Home Depot continues working on distribution centers and readying stores for the housing market to rebound. Genzyme is a takeover target with an offer from Sanofi-Aventis SA. CVS signed a long-term contract with Aetna that would represent approximately \$9.5B in annual drug spending. Deere divested its wind energy business to better focus on its high-return, high-margin core business, while Symantec is also analyzing its core business and the break-up value. Relational has one new toehold position and is at varying stages of due diligence on six additional investments. Wilshire will continue to monitor and provide updates on the fund.

Calendar Year Performance (%)									
As of 9/30/2010									
	YTD	2009	2008	2007	2006	2005	2004	2003	2002
Relational	11.14	24.56	-41.01	-10.01	9.29	9.89	16.49	40.77	0.55
Custom S&P 500	3.89	26.45	-37.01	5.54	15.81	4.89	10.87	28.69	-22.12
Excess Return	7.25	-1.89	-4.00	-15.55	-6.52	5.00	5.62	12.08	22.67

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Relational Investors – Mid Cap

Third Quarter 2010

Investment Type: U.S. Corporate Governance Fund

Inception Date: July 2008

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 28.1 million	\$ 350.7 million
Distributed Capital:	\$ 84.2 million	\$ 198.1 million

Market Value (9/30/10): \$ 267.5 million

Investment Strategy:

Relational's process is aimed at improving the performance of portfolio companies in a variety of areas, including operations, financial structure, and overall strategy. Typically, portfolio companies will be fairly mature companies with strong cash flows from underperforming core businesses. Generally, Relational is not looking for "turn around" opportunities. Relational looks to proactively engage each portfolio company to improve performance in the belief that improved corporate performance will result in a higher valuation for the company. RMMF will maintain a concentrated portfolio of 8-12 stocks with no single company will represent more than 25% of the Fund. There are no sector weight targets or limits.

Summary Analysis:

Number of Investments: 11

Organization:

- Four new Associate Analysts joined Relational (Michael Carlson, Danielle Mahan, Michael McCulloch, Tyler Smith) in August. Chauntelle Zwonitzer also joined in August as a Marketing Associate. J.J. Van Niel, a Senior Analyst, left the firm in October to pursue other opportunities; his responsibilities have been assumed by Todd Leigh and Kirt Karros.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Relational Investors – Mid Cap

Third Quarter 2010

Performance Analysis:

Relational continues building its Mid Cap portfolio with eleven disclosed holdings. The Mid Cap portfolio led the benchmark this quarter and exited two positions (International Rectifier and AGCO Corporation) completely for gains of 13.8% and 34.7%, respectively. Harman was awarded key contract wins with Chrysler/Fiat and Toyota North America. Relational was instrumental in stopping Charles River from making an overpriced acquisition of WuXi Pharma; Charles River will participate in an accelerated stock repurchase of \$300M to build credibility. Gildan continues to perform well and gaining market share, despite growing cotton prices. At Ameriprise, Relational continues discussions about profitability trends and compensation. Relational continues to meet with Esterline regarding their dilutive acquisitions and disciplined capital allocation strategy. Supervalu hired a new CFO as part of their turnaround plan and to better investor communication of their operating targets. McDermott International completed the spin-off Babcock & Wilcox. Given the young age of the fund, the manager indicated that it will continue to look for attractive opportunities; Relational is currently in varying stages of due diligence on nine additional investments. Wilshire will continue to monitor the portfolio activities.

Calendar Year Performance (%)			
As of 9/30/2010			
	YTD	2009	4Q08*
Relational Mid-Cap	11.54	82.41	-29.93
S&P 400 Mid Cap Index	11.57	37.38	-25.55
Excess Return	-0.03	45.03	-4.38

*First full-quarter performance since fund inception

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pacific Partners/WL Ross

Third Quarter 2010

Investment Type: Japanese Corporate Governance Fund

Inception Date: July 2003

Capital Commitment: \$500 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 502.5 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/10): \$ 618.5 million

Investment Strategy:

Taiyo Pacific Partners/WL Ross believe that public equity investors in Japan can be rewarded with superior returns by investing in companies that will implement corporate governance improvements. The investment strategy has two elements. First, identify undervalued stocks utilizing Taiyo's asset value and earnings potential analysis. Second, create valuation improvements by means of a three-phase corporate governance strategy. The three phases are: improving transparency and disclosure, improving corporate profitability, and improving shareholder value. Taiyo proposes to use its own proprietary database to identify target companies. Once identification is made, Taiyo's strategy is to be a constructive shareholder with those companies willing to make corporate governance improvements.

Summary Analysis:

Number of Investments: 17

Organization:

- Taiyo's relocation to Kirkland, WA has been completed. The new CFO Purvi Gandhi is also now completely independent, without the need of shadowing by the former CFO Marianne Winkler.
- Taiyo brought in Badan Tuladhar as an Associate during 3Q; he will assist with analyzing opportunities associated with India based companies.
- Due diligence is on-going for the new India Fund as staff continued to build out the paper portfolio. Brian and John will be traveling back to India visiting companies in the near future. At this moment, Taiyo still expects to launch the India Fund some time in 2011. The company indicates that there are definitely interests in the India mandate coming from investors and will continue to work its engagement.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pacific Partners/WL Ross

Third Quarter 2010

Performance Analysis:

The Taiyo Fund's third quarter time-weighted return of 1.3% was better than the TOPIX, which returned -1.4%. This performance was primarily driven by currency fluctuation, due to the Yen's 5.9% appreciation against the Dollar between July and September; the fund's return in local currency term for the quarter was -5.0%. The Taiyo Fund's industry/sector exposure effect was positive overall, for it had little to no allocation to some of the worst performing segments, such as Finance, Utilities and Transportation. Issue selection was this quarter's primary detractor. Due to the expiring government auto stimulus and uncertain outlook of auto sales, share prices of companies that have business ties to the auto industry continue to be pressured, this included Horiba (-14.6% return) and Daiseiki (-14.7% return). In addition, many of Taiyo Fund's larger holdings are companies that produce large export volumes. The expected negative earnings implication from the Yen's continued appreciation weighed on these stock prices, also detracting from the Fund's 3Q performance (Topcon, -21.8% return; Nissha Printing, -20.1% return; ULVAC, -14.6% return). Taiyo continues to believe its portfolio companies are well positioned in their respective industries, and coupled with its ability to help improve governance/balance sheet, they should do well in the long run. The fund's one-year and longer-term performance have outpaced the TOPIX by a large margin.

Calendar Year Performance (%)							
As of 9/30/2010							
	YTD	2009	2008	2007	2006	2005	2004
Taiyo	2.68	29.31	-37.32	-3.91	9.08	56.46	27.03
Topix Index	-8.60	5.63	-41.77	-12.22	1.90	44.29	11.23
Excess Return	<i>11.28</i>	<i>23.68</i>	<i>4.45</i>	<i>8.31</i>	<i>7.18</i>	<i>12.17</i>	<i>15.80</i>

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pearl Fund/WL Ross

Third Quarter 2010

Investment Type: Japanese Corporate Governance Fund

Inception Date: October 2007

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 200.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/10): \$ 218.7 million

Investment Strategy:

TPF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant out performance for shareholders. TPF will utilize a friendly relational approach in working with Japanese companies in both public and private equity space to create and/or unlock value. TPF will focus on companies with a market cap of \$50 ~ \$500million. The investment approach will include 1) activist investing in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities), 2) active investing in attractive public companies (where they will not take a controlling stake holding less than 5%) and 3) active investing in private companies. Taiyo is seeking to achieve a 15% to 20% annualized return on an absolute basis. The portfolio will average about 30 stocks at a time and several private equity transactions.

Summary Analysis:

Number of Investments: 16

Organization:

- Taiyo's relocation to Kirkland, WA has been completed. The new CFO Purvi Gandhi is also now completely independent, without the need of shadowing by the former CFO Marianne Winkler.
- Taiyo brought in Badan Tuladhar as an Associate during 3Q; he will assist with analyzing opportunities associated with India based companies.
- Due diligence is on-going for the new India Fund as staff continued to build out the paper portfolio. Brian and John will be traveling back to India visiting companies in the near future. At this moment, Taiyo still expects to launch the India Fund some time in 2011. The company indicates that there are definitely interests in the India mandate coming from investors and will continue to work its engagement.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pearl Fund/WL Ross

Third Quarter 2010

Performance Analysis:

For the quarter ended September 30, 2010, the Pearl Fund generated a time-weighted return of 6.8%, beating its stated objective, Absolute Return of 0%, as well as the TOPIX, which returned -1.4%. Stripping the currency impact, Pearl's local return of 0.9% was also in the positive territory. Japanese small cap stocks performed better than their large cap counterpart during the third quarter, and the Pearl Fund's performance benefited from this trend due to its small-cap focus. Most of Pearl's investments fared well this quarter, with four of the top five holdings (which accounted for over 56% of the fund) reporting gains. Among the top gainers included sensor maker Nippon Ceramic (+10.8%), mushroom grower "Jar" (+7.1%), and nursing service provider Message Co. (+2.9%).

Calendar Year Performance (%)			
As of 9/30/2010			
	YTD	2009	2008
Taiyo Pearl Fund	19.43	-2.78	-11.27
Absolute Return of 0%	0.00	0.00	0.00
Excess Return	<i>19.43</i>	<i>-2.78</i>	<i>-11.27</i>

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Cypress Fund/WL Ross

Third Quarter 2010

Investment Type: Japanese Corporate Governance Fund

Inception Date: April 2008

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 200.2 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/10): \$ 189.6 million

Investment Strategy:

Investment Strategy: TCF sees considerable un-tapped value in the Japanese stock market. TCF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant outperformance for shareholders. TCF will utilize a friendly relational approach in working with Japanese companies focused on opportunities in both the public and private equity space to create and/or unlock value. TCF will focus on companies with a market cap greater than ¥220 billion. The investment approach will include 1) activist investment in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities) and 2) active investment in private companies. The portfolio is expected to hold 8-10 publicly traded companies representing no less than 65% of the portfolio, with the remainder of the portfolio to be comprised of private equity.

Summary Analysis:

Number of Investments: 13

Organization:

- Taiyo's relocation to Kirkland, WA has been completed. The new CFO Purvi Gandhi is also now completely independent, without the need of shadowing by the former CFO Marianne Winkler.
- Taiyo brought in Badan Tuladhar as an Associate during 3Q; he will assist with analyzing opportunities associated with India based companies.
- Due diligence is on-going for the new India Fund as staff continued to build out the paper portfolio. Brian and John will be traveling back to India visiting companies in the near future. At this moment, Taiyo still expects to launch the India Fund some time in 2011. The company indicates that there are definitely interests in the India mandate coming from investors and will continue to work its engagement.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Cypress Fund/WL Ross

Third Quarter 2010

Performance Analysis (Continued):

The Cypress Fund generated a time-weighted return of 2.6% for the quarter ending September 30 and outperformed the TOPIX, which returned -1.4%. The fund's local currency-term return of -3.5%, however, trailed the TOPIX. Contrary to the Pearl Fund, the Cypress Fund was designed to focus on large cap companies and therefore its 3Q performance was somewhat adversely impacted by the lagging of Japanese large cap stocks in general. There were bright spots within Cypress' holdings, as some of the electronic equipment makers "Unagi" (+14.8%), "Green" (+7.1%), and property developer "Damascus" (+10.5%) reported solid gains. Although losses from the fund's largest holdings outweighed these gains. Among them, "Belushi" accounted for most of the underperformance as this largest Cypress investment reported weak quarterly results and saw its share price slid 16%. Over the 1-year period, the Cypress Fund's annualized return of 3.7% has beat the TOPIX's -8.8%.

Calendar Year Performance (%)			
As of 9/30/2010			
	YTD	2009	2008*
Taiyo Cypress Fund	7.40	20.28	-22.53
Topix Index	-8.60	5.63	-34.91
Excess Return	<i>16.00</i>	<i>14.65</i>	<i>12.38</i>

* Full-quarter performance started 6/30/2008

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Knight Vinke
Third Quarter 2010

Investment Type: European Corporate Governance Fund

Inception Date: September 2003

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 699.8 million
Distributed Capital:	\$ 0.0 million	\$ 606.5 million

Market Value (9/30/10): \$ 174.0 million

Investment Strategy:

Knight Vinke believes that in the absence of effective corporate governance and a truly independent board, the separation of ownership and management can create the opportunity for management to act in its own self interest rather than that of the shareholders. The strategy looks to identify underperforming stocks of companies that are fundamentally strong where redress of the underperformance is possible in a reasonable amount of time. The firm believes that detailed fundamental analysis can identify underperforming companies that have strong operating businesses, but are in need of a corporate finance solution to a factor or factors that specifically is depressing the share price. To identify such companies the firm uses several sources: its own screening process through market information services such as Bloomberg, their own industry knowledge, outside brokers, other institutional shareholders, other corporations, industry manager who may have recently retired, or corporate finance professionals.

Summary Analysis:

Number of Investments: 4

Organization:

There were no organization or staff changes in the current period

A new North American institution agreed to a commitment of \$250 million during the quarter. The KVIP II fund received a redemption that will finalize at the end of Q3 amounting to €64.7 million. The KVIP III fund will close at the end of Q3 as a result of the redemption by the sole limited partner in the amount of €138.1 million.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Knight Vinke
Third Quarter 2010

Performance Analysis:

KV strongly outperformed the market during the 3rd quarter with an IRR return of 29.62% versus 18.28% for the index, in USD. Year to date performance is moderately positive at 0.25% vs. the index return of -3.22%. Since inception, KV's performance has outpaced the benchmark by almost 7%. KV believe that the debate surrounding the roles and responsibilities of board members, particularly in the banking sector, has played out constructively with a number of high profile governance announcements in the sector this quarter.

KV has room for further investment when pricing becomes attractive given the level of un-invested commitments. KV is looking to be more active and add names to the portfolio this year. First, KV recognize that large cap public engagements tend to require a longer term horizon and they intend, therefore, to balance these with some mid-cap investments, particularly in light of the fact that the PE community is still suffering from credit restrictions. Secondly, KV is ready to trade in and out of positions more opportunistically than they have in the past.

Calendar Year Performance (%)							
As of 9/30/2010							
	YTD	2009	2008	2007	2006	2005	2004
Knight Vinke	0.33	14.86	-34.26	7.42	51.12	28.08	24.73
FTSE All World Europe	0.04	38.73	-46.99	15.47	35.15	10.81	21.51
Excess Return	<i>0.29</i>	<i>-23.87</i>	<i>12.73</i>	<i>-8.05</i>	<i>15.97</i>	<i>17.27</i>	<i>3.22</i>

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Blum Strategic Partners III

Third Quarter 2010

Investment Type: U.S. Corporate Governance Fund

Inception Date: July 2005

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 4.9 million	\$ 274.3 million
Distributed Capital:	\$ 15.1 million	\$ 112.0 million

Market Value (9/30/10): \$ 82.7 million

Investment Strategy:

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

Summary Analysis:

Number of Investments: 12

Organization: No material changes.

Philosophy/Process: No material changes.

Performance Analysis:

The Strategic Partners Fund III ended the third quarter of 2010 with a time-weighted return of 4.4% and performed better than its absolute 8% objective return, although this figure did not beat the Russell 2000's 11.3% return. As more economic data dispelled the likelihood of a double-dip recession, the U.S. equity market rebounded in late third quarter and so did most of Blum's holdings. The biggest performance contributor for Fund III came from its second largest holding, CB Richard Ellis Group. The combination of rebounding economic growth and improving earnings lead to a 34% jump in CBRE's share price during 3Q. Also helped Fund III's performance was the realization of its First American/CoreLogic and Rovi Corp holdings, as these stock prices reached Blum's fair valuation targets. Overall, Fund III realized a gain of 1.2x and 1.7x invested capital from these two investments, respectively. The Fund's education investments, on the other hand, continued to be a performance drag, with Career Education and ITT Educational Services, the #1 and #3 holdings in Fund III, falling 7% and 15% during 3Q. The uncertainties of possible government regulation capping for-profit education companies' future earnings continue to loom over Career Education and ITT's stock price, as investors retreated from this segment before November's mid-term election. Blum continues to believe these concerns are transitory, that its modeling results suggests the for-profit education companies earnings warrant higher valuation, and is therefore committed to these investments.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners III
Third Quarter 2010

Performance Analysis (Continued):

Calendar Year Performance (%)					
As of 9/30/2010					
	YTD	2009	2008	2007	2006
Blum III	6.19	52.17	-42.95	3.92	9.46
8% Absolute Return	5.94	8.00	8.00	8.00	8.00
Excess Return	0.25	44.17	-50.95	-4.08	1.46

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Blum Strategic Partners IV

Third Quarter 2010

Investment Type: U.S. Corporate Governance Fund

Inception Date: December 2007

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 274.7 million
Distributed Capital:	\$ 11.1 million	\$ 33.7 million

Market Value (9/30/10): \$ 211.9 million

Investment Strategy:

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

Summary Analysis:

Number of Investments: 16

Organization: Juan Carlos, a VP at Blum, went on to pursue other business interests and departed during 2Q.

Philosophy/Process: No material changes.

Performance Analysis:

Strategic Partner Fund IV's third quarter return of 4.2% also beat the stated 8% objective while trailing the Russell 2000 Index. Similar to Fund III, most of Fund IV's public engagements posted gains during the quarter and contributed to the fund's overall performance. Among this quarter's largest gainers were CB Richard Ellis Group (19% weight, +34% return) and SBA Communication (10% weight, +18% return). The education investments, which combine accounted for 33% of Fund IV, continued to weigh on performance, as investors stayed weary of potential earnings impact from a possible government regulation. On the private side, Fund IV is moving forward with its recent private investment, the first of such in over 2 years. Blum continues to believe that privately negotiated deals offer much more attractive upside in today's market environment, as the retreat of hedge fund players over the last 2 years left a big void in this segment. This is a niche that the firm recently did very well in (with the realization of Myer), although it has also stumbled before (with the loss incurred in WAMU). Wilshire will continue to receive updates as Fund IV carries out its public and private strategic block strategies.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners IV
Third Quarter 2010

Performance Analysis (Continued):

Calendar Year Performance (%) As of 9/30/2010			
	YTD	2009	2008
Blum IV	-1.42	36.28	-48.67
8% Absolute Return	5.94	8.00	8.00
Excess Return	-7.36	28.28	-56.67

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

New Mountain Vantage

Third Quarter 2010

Investment Type: U.S. Corporate Governance Fund

Inception Date: January 2006

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.6 million	\$ 201.3 million
Distributed Capital:	\$ 0.6 million	\$ 1.8 million

Market Value (9/30/10): \$ 241.8 million

Investment Strategy:

New Mountain's strategy is to proactively identify deeply undervalued companies through intensive research and then to unlock the value of these companies by working with management to improve the businesses for the benefit of all shareholders. New Mountain will pursue this value-added strategy for the many situations where a negotiated purchase of control of a public company is not available, but where New Mountain can acquire public shares in the open market and use its style of active ownership to increase the value of the firm's stock. They begin with a "Top-Down" approach, looking at sectors that have stable demands with high growth potentials. They seek companies where barriers to new entry are high, companies have pricing power, and where free cash flow generation characteristics are strong.

Summary Analysis:

Number of Investments: 40

Organization:

David Dimenico is leaving the firm to go to another fund. Steve Klinksy, David Frost, and Dan Riley will resume his responsibilities. Jeremy Morgan and Andrew Chang will get promoted to help relieve some of the workload as well.

Philosophy/Process: No material changes.

Performance Analysis:

New Mountain underperformed the S&P 500 for the quarter 9.9% vs. 11.3%. They have added 8 new positions as the fund looks for new ways to add value. For longer periods, both the year-to-date and the inception returns have been outstanding. The fund outperformed its benchmark by over 20% since inception.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
New Mountain Vantage
Third Quarter 2010

Performance Analysis (Continued):

Calendar Year Performance (%)					
As of 9/30/2010					
	YTD	2009	2008	2007	2006
New Moutain	11.80	40.95	-27.65	-2.05	
S&P 500	3.89	26.46	-37.00	5.49	
Excess Return	7.91	14.49	9.35	-7.54	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Breeden Partners

Third Quarter 2010

Investment Type: U.S. Corporate Governance Fund

Inception Date: June 2006

Capital Commitment: \$500 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 638.4 million
Distributed Capital:	\$ 0.0 million	\$ 138.5 million

Market Value (9/30/10): \$ 360.8 million

Investment Strategy:

Breeden's philosophy is to invest in US companies that are experiencing underperformance and diminished valuation due to correctable problem in policy and governance. The Fund will target mid-to-large-cap companies ranging from \$500 million to \$10 billion in market capitalization. The portfolio will be concentrated and will typically hold 8 to 12 positions. The objective of the Fund is to outperform the S&P 500 Index by 10% over the long-term.

Summary Analysis:

Number of Investments: 14

Organization:

- Breeden hired Mayo Smith as director of marketing and investor relations and Anthony G. Sotirhos to join the investment team.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
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Breeden Partners

Third Quarter 2010

Performance Analysis:

Despite solid gains from exiting three positions, Breeden underperformed the S&P 500 Index for the third quarter. There was a good amount of M&A activity – AON acquired Hewitt Associates, both of which are Breeden portfolio names, and a Brazilian private equity firm acquired Burger King. Breeden also exited from Fidelity National Information Services before the tender by a consortium of private equity firms. Breeden initiated investment in one new position, Stanley Black & Decker. Most of the companies in Breeden's portfolio experienced a strong quarter with most companies reporting earnings that beat consensus estimates, others performed in line. Breeden decided to exit its two board seats at Zale as they accomplished several agenda items there: new CEO and a diverse board of directors, extended credit lines, and other governance reforms. Helmerich & Payne's land-based rigs are still in high demand despite the challenging commodity environment. AON's acquisition of Hewitt gives them a strong consulting business, enabling them to focus on their brokerage services. Cyclical slumps continue to affect several names in the portfolio currently – Bally, Stanley Black & Decker, EMCOR, as well as Dun & Bradstreet. Raytheon is a well-positioned defense company due to their inexpensive valuation, strong balance sheet, capable capital deployment, and good management team. The long standing lawsuit brought against Hillenbrand was dismissed and casket pricing has stabilized. Improvements in management have been made H&R Block and Zale, while the new CEO at ValueClick has taken quick steps to improve execution. Breeden will continue to conduct due diligence on the new addition to the portfolio

Calendar Year Performance (%)					
As of 9/30/2010					
	YTD	2009	2008	2007	2006
Breeden Partners	-5.09	23.63	-35.96	-4.28	
S&P 500	3.89	26.46	-37.00	5.49	
Excess Return	-8.98	-2.83	1.04	-9.77	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Breeden European Partners

Third Quarter 2010

Investment Type: U.S. Corporate Governance Fund

Inception Date: June 2009

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 20.0 million	\$ 255.3 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/10): \$ 177.3 million

Investment Strategy:

The Breeden European Fund will use a similar investment process to the US Fund, investing in underperforming or significantly undervalued companies. The Fund looks for companies without large amount of debt that have positive cash flow, and seeks to identify the causes of poor performance/low relative valuations and to pinpoint steps that will increase return to shareholders. The European Fund is expected to be fairly concentrated with 6 to 9 positions, with no market cap limit.

Summary Analysis:

Number of Investments: 12

Organization:

- Breeden hired Mayo Smith as director of marketing and investor relations and added Anthony G. Sotirhos to the investment team.
- Breeden's European team based in London consists of: Ben Barnett, Ed Storey, and Guy Anderson. Back-office operations and trading will still be conducted in the US.
- Breeden European Capital Management has registered with the FSA (Financial Services Authority) as an investment adviser, with intentions to be an investment manager eventually (as dictated by the growth of the firm).
- Breeden European Partners (California) LP is also registered with the SEC as advisers in the US and sub advisers in Europe.

Philosophy/Process: No material changes.

Performance Analysis:

Breeden Europe initiated investment in four additional positions (and exited two) in the third quarter of 2010 to build out their portfolio holdings to a total of twelve, therefore as Breeden Europe continues to build up the portfolio, performance is skewed and not a true reflection of actual performance at this stage.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Breeden European Partners
Third Quarter 2010

Performance Analysis (Continued):

Calendar Year Performance (%) As of 9/30/2010		
	YTD	2009*
Breeden European	-35.49	-29.20
MSCI Developed Europe	-0.07	59.93
Excess Return	-35.42	-89.13

* Full-quarter performance started 6/30/2009

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Governance for Owners

Third Quarter 2010

Investment Type: European Corporate Governance Fund

Inception Date: October 2006

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 300.1 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/10): \$ 233.4 million

Investment Strategy:

GO's philosophy is to invest in fundamentally sound quoted companies in Europe where shares are trading at a discount due to correctable management or strategic issues. GO has a performance objective of five percentage points over the return of the FTSE Developed Europe Total Return Index on an annualized basis. The fund is expected to have 10 to 15 equity positions when it is fully invested with futures used to equitize any meaningful cash balances.

Summary Analysis:

Number of Investments: 18

Organization:

During the quarter, Eugenia Unanyants-Jackson, who was a Stewardship Services Manager covering Europe, left GO to pursue other career opportunities.

the investment committee of Essex County Council made the decision to withdraw all funds from their activist investments and reallocated that money to other areas. Essex The value of Essex's investment in the GO European Focus Fund as at 30 September was about €23m.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Governance for Owners

Third Quarter 2010

Performance Analysis (Continued):

After out-performing the European market for five straight quarters, GO underperformed during the 3rd quarter by 1.6%. During the 3rd quarter, the fund was up 5.65% versus the 7.25% for the FTSE All World Developed Europe Index. This was due entirely to a write down in the value of the illiquid investment in Wegener, to a price in line with an indicative offer from the majority shareholder. YTD, the fund has returned 18.9% against a return of 4.83% on the benchmark index. Stock specific factors for individual holdings are discussed in the following section. Performance this quarter brought the since inception performance to -7.20% versus -5.21% for the index.

As mentioned previously and reiterated here, there has been a subtle shift in investment philosophy with an emphasis on companies with a strong core business, whereas in the past GO would invest in middling businesses where the opportunity for engagement was present. This raises the bar on the stocks which might end up in the portfolio. The resultant performance this year indicates that it has been a positive change, but as with any change in investment philosophy, it is worth careful scrutiny. Given most recent performance, it is reasonable to say that this shift has improved the outcome of the portfolio performance.

Calendar Year Performance (%)				
As of 9/30/2010				
	YTD	2009	2008	2007
Governance for Owners	13.19	39.02	-53.14	7.06
FTSE All World Europe	0.04	38.73	-46.99	15.47
Excess Return	<i>13.15</i>	<i>0.29</i>	<i>-6.15</i>	<i>-8.41</i>

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Lazard Korea Corporate Governance Fund
Third Quarter 2010

Investment Type: Korean Corporate Governance Fund

Inception Date: May 2008

Capital Commitment: \$100 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 100.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.1 million

Market Value (9/30/10): \$ 81.7 million

Investment Strategy:

The Fund's strategy is to add value by investing in small and mid-sized Korean companies that are undervalued with significant room to improve governance principles and practices. The Fund has a unique and exclusive relationship with the Center for Good Corporate Governance (CGCG), whereby the CGCG provides strategic advice regarding the engagement of a targeted company. Notably, the Fund will pursue its objective through a collaborative discussion between company management, the Fund and other shareholders, rather than a confrontational approach. The Fund feels that the Korean market is particularly well-suited to a corporate governance approach to investing as many companies have poor governance practices and the country trades at a discount to other similar markets as a result.

Summary Analysis:

Number of Investments: 20

Organization: No material changes.

Philosophy/Process: No material changes.

Performance Analysis:

The Korea Corporate Governance Fund generated a return of 18.1% for the third quarter of 2010 and mirrored the KOSPI, which returned 18.2%. The fund is up 26.2% versus 13.7% over the index for the year to date. The positive performance can be attributed to better performance from Lazard's holdings in Taekwang Industrial, Hankuk Electric Glass, and STX. With the majority of the companies in the fund showing healthy earnings or good valuation, Lazard feels comfortable with their current portfolio. The portfolio has an average P/E ratio of 6.5x and P/B ratio of 0.8x. With the domestic market remaining strong, Lazard hopes that the western countries can keep pace in order for the true values of certain companies in their portfolio to bear fruit. In the meantime, Lazard will continue to address corporate governance issues and evaluate other companies that could add value

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Lazard Korea Corporate Governance Fund
Third Quarter 2010

Performance Analysis (Continued):

Calendar Year Performance (%) As of 9/30/2010			
	YTD	2009	2008*
Lazard Korea	26.11	11.11	-40.83
KOSPI	14.16	65.67	-48.02
Excess Return	11.95	-54.56	7.19

* Full-quarter performance started 6/30/2008

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Cartica Capital Partners, LP

Third Quarter 2010

Investment Type: Emerging Markets Corporate Governance Fund

Inception Date: December 2009

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 30.7 million	\$ 135.7 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/10): \$ 184.4 million

Investment Strategy:

CCPLP will pursue a long-only investment strategy in emerging markets with investment in both public and private equity. The portfolio will target companies with enterprise values between USD \$100 million and \$2 billion and CMLLC will use a “relational” investment approach, working cooperatively with management. It is expected that public equities will comprise approximately 70% of the portfolio. The private equity portfolio will generally be focused on pre-IPO situations and CMLLC expects to avoid turnaround or distressed situations. The target market cap range for private transactions is slightly lower -- \$80 million to \$1 billion. CCPLP's goal “is to realize significant returns by identifying companies with the greatest potential for increased value once they implement governance enhancement policies tailored to the specific circumstances of the individual company and financial market.”

Summary Analysis:

Number of Investments: 6

Organization:

no organizational or personnel changes to report this quarter.

Toward the end of Q1 2010, Cartica launched on-shore and off-shore funds which will invest pari-passu with the CalPERS investment. While they have been focused on deploying capital, they have reached out to larger institutional investors and have a goal of raising \$100-200 million in additional commitments in 2010 to 2011. Several investors have expressed interest but there continues to be little visibility into the timing of potential investments. The impressive performance start for the fund should provide a significant tailwind for business development into the new year.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Cartica Capital Partners, LP

Third Quarter 2010

Performance Analysis (Continued):

Cartica has resolved the performance discrepancies with the custodian to each side's satisfaction. Cartica's calculation of since inception performance was substantially positive with a return of 46.2% versus the index return of 11.5%. Year-to-date performance is also strong with a return of 44.2% versus the index return of -11.17%.

Cartica believes they are on target to be fully invested within the year and have a number of ideas to increase the holdings in the portfolio as well as the diversification by country.

Calendar Year Performance (%)		
As of 9/30/2010		
	YTD	2009*
Cartica	50.41	8.10
FTSE AW EM Index	11.58	8.93
Excess Return	38.83	-0.83

* Full-quarter performance started 12/31/2009